FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,011 — Wednesday August 20 1986 — D 8523 B

Airbus jostles Boeing for airspace, Page 14

World news

Soviets dismiss Israeli demands

The Soviet Union dismissed its talks with Israeli officials in Helsinki as a session that led nowhere because of "arrogant" and unjustified Israeli insistence on discussing the fate of 2m Soviet Jews.

Soviet Foreign Ministry spokesman Gennady Gerasimov said there were no plans for future meetings between the two sides, who met for just 90 minutes in their first official exchanges in 19 years. Page 16

Pakistan deaths

The number of deaths in the current unrest in Pakistan reached 26 as demonstrators blocked roads and attacked government offices and police responded with tear gas and baton charges.

Polish prisoners

Polish Justice Minister Lech Domeracki said the Government would like to have no political prisoners and was prepared to release prominent Solidarity member Zbigniew Bujak as soon as it was sure he would give up active opposition. Page 2

On-site inspection

The European Security Conference in Stockholm opened on an optimistic note as the Soviet delegate announced that his country would agree to limited on-site inspections for verification on the territory of each state. Page 2

Tamil link inquiry

West German authorities are investigating a possible connection between 154 Tamils smuggled to Canada in a cargo ship and suspected Tamil militants living in West Germany.

Marcos wealth move

Swiss banks holding part of Ferdinand Marcos's alleged hidden wealth may return some of it to the Philippines within a year, a senior government official said in Manila. Page 2

Soviet laser fire

The Soviet Union's space weapon programme suffered a serious setback when fire destroyed its only airborne laser weapon laboratory earlier this year, the private International Defence Review monthly magazine said in Geneva. Page 2

Iran blast kills 20

A car bomb exploded in a busy square in central Tehran, killing 20 people and injuring many others. Page 2

Mandela film rights

Camille Cosby, wife of US TV comedian Bill Cosby, has won exclusive rights to make a film about the life of black nationalist Winnie Mandela, wife of imprisoned South African opposition leader Nelson Mandela, the Cosbys' lawyer said.

Sowetan speaks out

The Sowetan, South Africa's leading newspaper for blacks, said that executions by "necklacing" – igniting a petrol-soaked tyre around the neck – threatened to turn blacks into a nation of barbarians. Reagan sanctions plan, Page 2

Stolen painting found

Picasso's "Weeping Woman", stolen from Australia's Victorian National Gallery 17 days ago, was found undamaged in a railway station locker after a tip-off from an anonymous caller to a Melbourne newspaper.

Potato messages

The 330 workers who seized a huge gas rig off northwest Australia said they communicated with their families by getting the best cricketers among them to hurl potatoes containing hidden messages across to a support barge. Sit-in ends, Page 3

Bull sees red

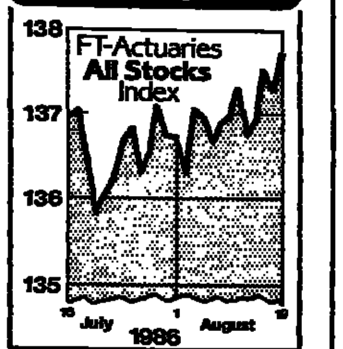
A bull charged a bright red fire-engine in Dorpstraat, north-west Belgium, causing $7,000 worth of damage. The three firemen inside were badly shaken and the bull was taken to a veterinary surgeon.

Business summary

Hanson recoups price of SCM

HANSON TRUST, UK conglomerate, is to sell its Durkee Famous Foods business, acquired this year in its takeover of SCM of the US, to Reckitt & Colman of the UK for $120m. That and other recent sales of SCM businesses means Hanson has raised more than the $930m purchase price of SCM. Page 16

GILTS



LONDON equities failed to sustain an early rally and the FT Ordinary index ended 5.8 lower at 1,267.8. Page 34

WALL STREET: The Dow Jones industrial average closed down 6.61 at 1,862.91. Page 34

TOKYO stocks advanced to a fourth successive record high. The Nikkei market average rose 195.17. Page 34

DOLLAR fell in London to DM 2.0580 (DM 2.0705); SFr 1.6580 (SFr 1.6755); FFr 6.71 (FFr 6.7375), and Y153.40 (Y154.10). On Bank of England figures the dollar's index fell to 110.4 from 110.8. Page 24

STERLING rose in London to $1.5020 ($1.4930); Y230.50 (Y230.00); FFr 10.0775 (FFr 10.0600), but was unchanged at DM 3.0925. It fell to SFr 2.4900 (SFr 2.5025). The pound's exchange-rate index rose 0.3 to 72.0. Page 27

GOLD fell $2.5 to $375.25 on the London bullion market. It also fell in Zurich to $374.125 from $377.75. In New York, the Comex December settlement was $381. Page 26

US DEALS: Successful trade talks are said to have helped US telecommunications-equipment manufacturers win more than $1bn in orders in Japan in recent months. Page 2

CANADA: Study by accountants Coopers and Lybrand for Federal Department of Finance said the office of the Inspector General of Banks needed extensive changes to improve bank supervision and regulations. Page 9

WEST GERMANY has taken over from the US as the leading exporter to the Spanish market in the first half of this year. Page 4

WEST GERMAN. Shipbuilding: Crisis in the industry claimed another victim, with the decision of the Nobiskrug yard at Rendsburg, Schleswig-Holstein, to file for protection from its creditors. Page 17

UNILEVER, Anglo-Dutch consumer group, has built up a stake of almost 33 per cent in Naarden, the Dutch fragrances and flavourings company with which it is holding takeover talks. Page 17

DEERE, world's leading farm-equipment manufacturer, lost $39.6m or 58 cents a share in its third quarter, and seems certain to report its first annual loss since 1933. Page 17

HEWLETT-PACKARD, US electronics and computer manufacturer, reported a 6 per cent rise in net earnings for the third quarter with revenues up 11 per cent. Page 17

FRUEHAUF, Detroit-based US automotive and truck company, confirmed that it had received a sweetened bid from an investor group led by Asher Edelman. The five-month battle for control of the company appeared close to resolution. Page 17

CARTER Hawley Hale, Los-Angeles based US department store group, reported a 50 per cent increase in second-quarter net earnings due to higher gross margins and tight expense control. Page 17

Australian budget seeks A$3bn cut in state spending

BY EMILIA TAGAZA IN CANBERRA

THE AUSTRALIAN Labor Government yesterday announced the country's toughest budget for more than 30 years. The government spending programme is to be cut sharply by A$3bn (US$1.9bn) in an effort to reduce the budget deficit and restore international confidence in the economy and the Australian dollar.

Mr Paul Keating, the Federal Treasurer, set a target deficit for 1986-87 of A$3.5bn, a figure that may be politically difficult to achieve.

The spending cuts were sharper than expected during the weeks leading up to yesterday's announcement, when A$4bn was generally accepted as the lowest possible deficit.

The projected A$3.5bn deficit is equivalent to 1.4 per cent of gross national product and compares with an actual shortfall of A$5.7bn in 1985-86 or equivalent to 2.5 per cent of GDP.

The Australian dollar reacted favourably to the budget, adding 0.5 US cents in London to 63.055, after touching 64.20 in earlier trading.

- Budget deficit cut from A$5.7bn to A$3.5bn.
- A$3bn cut from government spending. A wide range of tax increases, including higher charges on petrol, luxury cars and wine.
- Personal tax cuts have been deferred.
- Real wages to fall 2 per cent in 1986-87, after 2 per cent fall in 1985-86.

But while the deficit figures have been welcomed by financial markets and will shore up the battered Australian dollar, the budget will inevitably affect living standards.

Recent polls have shown an erosion in public confidence in the handling of the economy by Mr Bob Hawke's government. Dissatisfaction with the economy's management was displayed this month when two by-elections near Sydney resulted in massive swings against the Labor Party.

The budget projects a rise in Federal Government spending to A$74.76bn from A$69.92bn, which after inflation means a cut in real terms to 29.4 per cent of GDP from 30.1 per cent.

To achieve that, some A$3bn is being cut from spending programmes, with the axe falling most heavily on social security, health, education, defence and overseas aid.

In 1985-86, spending grew by 2.5 per cent in real terms. A spending increase in similar terms this year would have resulted in a projected budget deficit of A$7.5bn.

Combined with reductions in State Government borrowings, the large cut in the budget deficit will dramatically lower official demand

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Keating's path for recovery, Page 3; Editorial comment, Page 14; Lex, Page 16

Stoltenberg outlines plan for early tax reforms

BY RUPERT CORNWELL IN BONN

WEST GERMANY's ruling centre-right coalition plans a swift start to its promised tax-reform programme if, as seems likely, it is returned to power at next January's election.

The programme involves cuts in personal income, corporate and company property taxes worth a total of DM 40bn ($19bn).

The measures, sketched out yesterday by Mr Gerhard Stoltenberg, the Finance Minister, would mean a net reduction of about DM 20bn in the tax burden of individuals and industry. The Government intends to recover half the cost by reducing subsidies and closing loopholes or, failing that, increasing various indirect taxes.

Mr Stoltenberg has never concealed his goal of presiding over a more fundamental structural reform to the West German tax system to build on the DM 19.4bn tax cuts and increased allowances being phased in over two stages, this year and in 1988.

Quite apart from the obvious electoral appeal of his proposals, as the campaign for next January's poll begins in earnest, an overhaul of the West German tax system is strongly advocated by bodies such as the Organisation for Economic Co-operation and Development (OECD) to breathe fresh life into the country's somewhat stodgy economy.

Mr Stoltenberg declared that the reforms would be a top priority for the next parliament. But his reputation for almost obsessive fiscal prudence has not been lightly won. He indicated that not only would the cuts have to be paid for in part by sacrifices elsewhere, but that they would probably be introduced in two stages.

"No responsible politician can just promise voters before elections that the tax burden is going to drop by DM 40bn or more during the next parliament," he said.

The Finance Minister delivered a tirade against "soak-the-rich" fiscal policies of the opposition Social Democrats, which are due for a wide airing next week when the SPD party congress in Nuremberg is due to finalise its platform for the election campaign.

The SPD's plan to bring in supplementary charges for people with high incomes, to help to finance cuts for middle earners, would simply penalise professional endeavour and success, and have "intolerable consequences." The Social Democrats were in practice treating people on average incomes as highly paid, Mr Stoltenberg claimed.

For individuals, the main impact of the Government's proposals, which have yet to be finalised, will be to take many middle-income earners out of higher tax brackets and to increase basic and child allowances across the board.

Between 1960 and 1988, the proportion of taxpayers liable to higher rates will have jumped from 5 per cent to 66 per cent, Mr Stoltenberg said.

On business, the Government wants big changes in the existing corporation tax, a cut in the level of company property taxes, and removal of the much disliked turnover tax on stock-market transactions.

London emerges as top foreign exchange centre

By George Graham in London

LONDON'S place as the world's leading foreign-exchange centre was confirmed yesterday as the central banks of the UK, the US and Japan published the results of surveys they conducted simultaneously this year.

Turnover in the London foreign-exchange market averaged $90bn a day, compared with $50bn a day in New York and $48bn a day in Tokyo. A further $8.5bn a day of foreign-exchange trading was carried out in New York by investment houses not classified as banks, but those were not surveyed in London.

The London survey was the first of its kind carried out by the Bank of England, and the figure of $90bn is nearly double recent estimates. In New York, where the survey has been carried out by the Federal Reserve Bank every three years since 1977, turnover has risen by 92 per cent since 1983.

The figures provide a snapshot of the vast and rapidly growing foreign-exchange market. When the Group of 30, a research organisation backed by financial institutions and multinational companies, last year estimated world foreign-exchange turnover at $150bn a day, some observers were incredulous, but yesterday's figures total $188bn for the three main centres alone.

The Bank of England's figures show, however, that only 9 per cent of banks' total trading volume is accounted for by deals done directly with customers, although the Bank notes that a number of separate interbank transactions may be needed for a bank to cover its customer's needs precisely.

In the UK, trading between sterling and the US dollar formed the largest segment of the market, accounting for 30 per cent of trade against 28 per cent made up by dollar/D-Mark trading.

In New York, however, the D-Mark and the yen ranked ahead of sterling. The Fed said trading had become more concentrated in those three currencies, while Swiss franc, Canadian dollar, French franc and Dutch guilder trading had all declined as proportions of total turnover.

Trading in London was more heavily concentrated on the spot market, where delivery is usually made within two days. Spot transactions accounted for 73 per cent of turnover in London, with almost all the rest made up by forward deals.

Foreign currency options and futures were insignificant, the Bank of England said, making up well un-

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Second to none, Page 9

Growth data put pressure on US rates

BY REGINALD DALE IN WASHINGTON AND PAUL TAYLOR IN NEW YORK

US ECONOMIC growth slowed to a snail's pace in the second quarter of this year, with gross national product advancing at a real annual rate of only 0.6 per cent, the Commerce Department said yesterday.

The new figure, a sharp downward revision of the department's earlier estimate of 1.1 per cent, was seen as increasing pressure on the Federal Reserve Board to ease interest rates to stimulate the economy.

The Fed's policy-making Open Market Committee was meeting behind closed doors in Washington yesterday, probably to consider a new cut in the discount rate, according to financial analysts.

The revision in the GNP figures sparked an immediate rally in the US credit markets, where it spurred hopes of an early Federal Reserve Board discount rate cut, and sent the dollar tumbling to new lows.

In early trading, the Treasury long bond gained almost a full point to 100$^{27}/_{32}$, sending the yield plunging to 7.19 per cent from 7.27 per cent at the Monday close. US money market rates were also marked lower in anticipation of an early Fed cut.

The lower interest rates helped to send an already weak dollar falling to DM 2.0545, Y153.35 in early New York trading. It was $1.5030 against sterling. Wall Street equity prices, after taking an initial tumble, had mainly recovered by lunchtime.

The sluggish performance between April and June was interpreted by some private economists as a sign that the economy was not moving in any particular direction, not necessarily a clear indication of recession. The imminence of the November 4 mid-term congressional elections, however, was seen as increasing pressure for lower interest rates.

The Commerce Department said that the growing US trade deficit, particularly as a result of declining agricultural exports, and a slower build-up of business stocks were the main reasons for the weaker than expected growth. Many private analysts had expected that the original 1.1 per cent figure would be revised marginally upwards.

The 0.6 per cent growth rate was the weakest since the end of the last recession in 1982, when the same figure was recorded in the final quarter, after a 3.2 per cent decline in the third.

With an increase of 3.8 per cent in the first quarter of this year, the revision brought the department's calculation of growth in the first six

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Currencies, Page 27

Standard's Far East rescuers join board

BY DAVID LASCELLES IN LONDON

THE THREE Far Eastern investors who helped Standard Chartered to fight off a £1.3bn ($2bn) hostile takeover bid by Britain's Lloyds Bank are to join the 16-man board of the UK-based international bank.

Lord Barber, Standard's chairman, announced yesterday that Sir Yue-Kong Pao, the Hong Kong shipping magnate who holds just under 15 per cent of the bank's stock, is to become his deputy chairman. The other new directors are Mr Robert Holmes à Court, the Australian businessman who owns 8 per cent, and Tan Sri Khoo Teck Puat, the Sinpapore financier, who has 5 per cent.

Mr Peter Woo, Sir Y.K.'s son-in-law and managing director of his Hongkong and Kowloon Wharf and Godown Company, also becomes a director. He is expected to be the chief representative of Sir Y.K.'s interest.

Standard yesterday also disclosed a 2 per cent fall in pre-tax profits to £131m for the first half of this year. Standard's share price fell 15p to close at 722p, adding to the paper losses of the new directors, who acquired most of their shares at over 800p during their dramatic rescue operation in mid-July.

Mr Michael McWilliam, Standard's chief executive, denied that there was any understanding with the new board members that the bank would be split up or restructured to enable them to acquire portions of it. "Their main concern is, like ours, to improve the performance of the bank as a whole," he said. "They will not be passive directors, but they will not be hostile, either."

Lex, Page 16; Details, Page 20

Airbus sales slide as Boeing orders soar

BY DAVID MARSH IN PARIS

SALES of the European Airbus nosedived during the first six months of 1986, exposing the four-nation consortium's difficulties in the face of burgeoning orders and profits at Boeing, the world's biggest airliner maker.

The Europen concern sold 63 aircraft during the first half, 44 of which were the new narrow-body A-320, due to enter service in 1988. That was a 19 per cent drop compared with 78 sales, of which 31 represented the A-320, during the first half of 1985.

Difficulties encountered by Airbus in selling its medium-to-long-range wide-body jets, the A-300 and A-310, have coincided with booming orders at Boeing for its 737 and 747 ranges – types of aircraft for which Airbus at present offers no competing models. Boeing's total jet transport orders in the first half came to 247 aircraft worth $12bn.

Airbus Industrie, owned by Aérospatiale of France, Messerschmitt-Bölkow-Blohm of West Germany, British Aerospace and Casa of Spain, is operating at a substantial loss. Boeing, by contrast, has just announced record earnings and a 30 per cent jump in net income for the first half.

Three UK defence contractors yesterday declared their interest in participating in any successful bid by Boeing to supply Britain with an airborne early warning system. The US aerospace company is offering its E-3 to displace the troubled Nimrod programme being developed by GEC of Britain. Details, Page 9

Commercial difficulties at Airbus have heightened the desire of the companies and governments backing the consortium to enlarge its "family" of aeroplanes to be more competitive with Boeing.

Plans focus on proposals to build the A-330 medium-range and A-340 long-haul airliners to move into higher-capacity parts of the market at present dominated by Boeing.

According to Mr Michel Lagorce, director general of civil aviation at the French Transport Ministry, Airbus is continuing "imperturbably" with plans for the A-330 and A-340.

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Maxwell in investment trust bid talks

By Charles Batchelor in London

BRITISH PRINTING & Communication Corporation (BPCC), Mr Robert Maxwell's publicly quoted information group, is today expected to launch an agreed takeover bid worth more than £300m ($450m) for Philip Hill Investment Trust.

If the bid succeeds, BPCC is expected to sell off the trust's stakes in a wide range of British and overseas companies and use the funds raised to finance an ambitious expansion programme.

BPCC is also expected to disclose today the acquisition of a large publicly quoted US printing and publishing company. When BPCC announced on Monday that it had more than doubled pre-tax profits to £27.5m in the first half of 1986 it said the US deal was imminent.

Philip Hill has had Lord Keith, a formidable figure in the City of London, as its chairman for the past 19 years. The trust owns sizeable holdings in companies such as Shell, BTR, the industrial conglomerate, ICI, Prudential Assurance and Bass, the brewer.

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EUROPEAN NEWS

Moscow eases on-site inspections stance

BY SARA WEBB IN STOCKHOLM

THE EUROPEAN Security Conference reopened here yesterday on an optimistic note as the Soviet Union announced it would agree to limited inspections of military activities.

The conference, which includes the US and Canada and all the European countries except Albania, has been discussing confidence—and security—building measures and disarmament in Europe since January 1984 but looked set to fail.

The Soviet side said originally it would not agree to inspections for verification of military activities, but by the end of the last session, changed its position and agreed to inspections on principle.

Mr Oleg Grinevsky, head of the Soviet delegation, yesterday said: "We agree to the conduct of on-site inspection of confidence-building measures on the basis of a limited quota." By this he meant one or two inspections a year on the territory of each state. Inspection would be of field exercises, not of garrisons and sensitive installations.

The conference seemed doomed to fail earlier this summer when delegates could not agree about issues relating to the notification of troop movements and the exchange of military information.

There was a breakthrough of sorts shortly before the conference adjourned in July when the Warsaw Pact dropped demands that military activity in the air should be covered by the conference. However, with only four weeks of negotiating time left, there are worries that further stumbling blocks may not be removed. "Time is running out, and we still have problems which have not been resolved yet," said Mr Grinevsky, yesterday.

The question of notification of troop movements still has to be settled. The West would like to have a blanket agreement covering all troop movements, whereas the East would prefer to pin down particular troop movements which would have to be notified.

The meeting has to wind up by September 19, before the Conference on Security and Co-operation in Europe follow-up meeting in Vienna in November.

Mr Oleg Grinevsky (right): Times is running out for agreement at the European security conference.

Warsaw sets condition for releasing Bujak

BY LESLIE COLITT IN WARSAW

THE POLISH Government says it is prepared to release the country's most prominent political prisoner, Mr Zbigniew Bujak, as soon as it is convinced he will give up active opposition. Mr Bujak was arrested in May after leading the Solidarity underground for four and a half years.

Mr Lech Domeracki, the Justice Minister, said yesterday in an interview that the Government was ready to free Mr Bujak under the current amnesty which ends September 15. His release, however, would depend on whether the authorities were "convinced he will behave well."

Mr Bujak faces a possible major political trial, and a senior adviser to the outlawed Solidarity union, Mr Bronislaw Geremek, has been accused of aiding him in the underground.

Asked about Mr Wladyslaw Frasyniuk, the other top political prisoner who was jailed for three-and-a-half years last year, the Justice Minister said only that the "average Pole" was not interested whether he was in prison or not. The release of both he and Mr Bujak has been made a precondition by the opposition for entering into a limited dialogue with the authorities.

"We are forming our opinions on the possibility of all political prisoners being freed," said Mr Domeracki. He denied there were factions in the ruling politburo which were at odds over whether to free the remaining political prisoners. But "of course, there are different views."

He claimed the strengthening of the power of the state in Poland had weakened the "anti-socialist forces" and led to greater leniency on the Government's part which was expressed in the amnesty.

Mr Jerzy Urban, the government spokesman, said yesterday that 70 political prisoners had been freed under the amnesty up to August 16.

Another government official said privately that talks taking place between Mr Bujak and Interior Ministry officials could be crucial for his release. There was a strong body of opinion in the government, he said, which favoured putting him on trial. However, this did not preclude his release, which would be made in an application to the public prosecutor under a special provision of the amnesty. It was recently used to free two other former Solidarity leaders Mr Bogdan Lis and Mr Adam Michnik.

Soviet airborne laser lab 'destroyed in fire'

THE SOVIET UNION'S space weapon programme suffered a major setback when fire destroyed its only airborne laser weapon laboratory earlier this year, the private International Defence Review (IDR) monthly magazine said yesterday, Reuter reports from Geneva.

Quoting informed sources in Washington, the Geneva-based IDR said that "in the eyes of the US military intelligence, and research and development community, this loss could represent a major blow to the Soviet development programme."

IDR, which specialises in military equipment and strategy, said the Ilyushin Il-76 aircraft that housed the laboratory was destroyed by an unexplained fire on the ground late in May or early June.

The heavily-modified aircraft served as the platform for a prototype laser weapon intended for use against satellites or attacking cruise missiles, IDR said.

The magazine said the laser programme started several years ago and, assuming successful development, limited deployment could have started early in the 1990s.

The laser laboratory was part of Moscow's equivalent of the American Strategic Defence Initiative (SDI), or Star Wars project, IDR said.

The Soviet Union has denied that it has such a space weapon programme and called on the US to abandon its Star Wars project at superpower negotiations on space and nuclear arms.

The US Defence Department's annual publication, Soviet Military Power, has said for several years that the Soviet project started well before the American space weapon effort and was substantially greater than the US programme.

Appeal rejected over frozen Libyan assets

BY DAVID LANE IN ROME

A TOTAL of L35bn ($24.6m) of assets held in Italy by Libyan banks are to remain frozen as a result of a court ruling in Milan yesterday.

The funds have been frozen since the end of July as the result of legal proceedings by two small Italian engineering companies.

They were seeking to enforce payment of outstanding accounts for the supply of earth-moving and materials-handling equipment to the Libyan Government.

Judge Francesco Pisani of Milan rejected the appeal by Banca Commerciale Italiana and Credito Italiano, two of the five Italian state-controlled banks holding the frozen Libyan deposits, and a lawyer representing six Libyan banks and the Libyan Government.

However, he also ruled that the Italian banks and the Libyan Embassy in Italy could eventually appeal to a higher court.

Earlier this month, a Milan court ordered the Libyan assets frozen on a request by Co Fa of Milan and C.F. of Piacenza, which claimed overdue payments on contracts with Libya amounting to L7bn and dating back to 1981.

At least 20 other Italian companies claiming overdue payments of about L200bn from Libya have also said they plan to seek the freezing of more Libyan assets in Italy.

Milan court sources said no action was being considered against a 15.19 per cent stake held in Fiat Spa, Italy's largest carmaker, by the Italian-based Libyan Arab Foreign Investment Company.

Lisbon grasps nettle of public sector

Diana Smith describes the Government's tentative efforts to tackle an onerous legacy of the Portuguese revolution—the debt-laden loss-making state companies.

IN MARCH 1975 Portuguese revolutionaries seized privately-owned banks, basic industry and commerce amounting to 53 per cent of Portugal's gross fixed capital formation and dragged them into the public net, hoping to propel the country towards Soviet-style state capitalism.

The revolution ended a few months later, but its legacy remains in a sector which has overburdened the taxpayer year after year while a succession of short-lived governments have tinkered with stopgap solutions.

Governments have been hampered by the 1976 constitution and its 1982 revision, which uphold "revolutionary conquests" and ban privatisation. The constitution is due for another review in 1987, and only the Communists believe it is not time to delete the ideological slant.

Even Socialists, who as recently as 1982 insisted that "nobody lays a finger on the nationalised sector," now admit that Portugal cannot forever be held back by the voracious financing needs of uneconomic companies wallowing in debt.

Last year, according to Finance Ministry inspectors, 42 public sector companies, including big operators like EDP (electricity), CP (railways), TAP (airline), Siderurgia (steel), and CNP (petrochemicals) suffered operating losses of Es 54bn (£248m). There is one consolation: this was less than half the Es 121bn loss in 1984. But in the light of Portugal's modest 1985 gross domestic product of $22.5bn public sector losses drain national resources.

The companies have total assets of $15bn and reserves of $48bn and even the centre-right Cavaco Silva Government, which promised like its predecessors to streamline the public sector, is pumping in the equivalent of $500m in capital endowments and subsidies this year. But it has attempted some hybrid solutions.

The Government published a decree-law extinguishing CNP, the petrochemicals company which managed to pile up a spectacular $1bn of debt in four years. But the law may result in the corporation being snuffed out while the petrochemicals plant itself soldiers on.

With some public sector companies, the Government plans to try another tack, turning them into publicly-limited companies subject to private sector criteria

Studies are under way for transforming four of the worst-off nationalised banks—Uniao de Bancos Portugueses, Borges e Irmao, Fonsecas e Burnay and Totta e Acores—into companies in which other state-owned enterprises would hold equity, and where shareholders would elect the board rather than it being Government-appointed.

Not everyone believes this solution, which may also be tried on non-financial public sector companies that could eventually be quoted on the stock exchange, will have much positive effect on their grim financial record. The move can, however, be seen as an embryo of eventual privatisation:

An endemic weakness in official resolve to prune the public sector radically is the habit governments have had of rewarding supporters with jobs as directors or managers. Salaries are modest by European standards but perks such as chauffeur-driven cars, expense account lunches and trips abroad, invitations to top functions and a sense of being on the inner fringe of power have been attractive in this small self-conscious country.

Public sector managers would argue that it is difficult to be effective when ministers determined to make their mark cancel their predecessors' policies, cut off investment funds to be seen to be doing something, put friends onto boards, and then leave six months later.

The public sector is marking time now, waiting for a decision on where it must go. It was created in only one night — 14 March, 1975 — but it will take years to disentangle the resulting problems.

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OVERSEAS NEWS

Reagan plan to limit S. Africa sanctions

By Reginald Dale, US Editor, in Washington

PRESIDENT Ronald Reagan hopes once again to head off congressionally-imposed US sanctions against South Africa by introducing his own measures pre-emptively next month, according to Administration officials.

Mr Reagan's aim is to extend the list of limited sanctions that he imposed just under a year ago in the hope that he can then uphold a presidential veto on the more sweeping measures under consideration on Capitol Hill, they said.

The plan is intended to be a repetition of Mr Reagan's successful tactic of last September, when he forestalled congressional action by introducing his own measures by executive order. They included bans on the import of gold Kerugerrands, on bank loans to the Pretoria Government and on US exports of computer and nuclear technology.

Mr Reagan is now being urged by his advisers to add further sanctions when he renews those measures, which expire early next month, officials say.

Mr Reagan's task, however, is likely to be much more difficult than last year, given the political momentum that has built up behind tough new sanctions on Capitol Hill in recent weeks.

Mr Reagan would choose from a list that included withdrawing US landing rights from South African Airways, freezing non-diplomatic US bank accounts of the South African Government and state controlled companies, and denying US visas to their employees, the officials said. Such measures, in the Administration's view, would step up pressure on the white South African Government without causing economic damage to the majority black population.

● The South African Government, which on Monday named 8,500 people held under a state of emergency, said today it would publish further lists of detainees, Reuter reports.

The announcement, from the Ministry fo Law and Order, supported estimates by independent monitoring groups that more than 10,000 people have been rounded up since the national emergency was imposed on June 12.

It said a list submitted to parliament yesterday by Law and Order Minister Louis le Grange did not include people detained during the previous 30 days or those released after less than 30 days.

Lawyers for Bonde Nielsen quit

By Hilary Barnes in Copenhagen

LAWYERS defending Mr Jan Bonde Nielsen, the Danish businessman accused of breach of trust offences, have withdrawn from the case saying their client cannot expect a fair hearing in the appeal court.

Mr Bonde Nielsen, former majority shareholder and managing director of Copenhagen's Burmeister & Wain shipyard, was cleared last June, after a trial lasting more than a year, of all the charges against him. These involved about DKr 146m (£11m) in connection with transactions in B & W shares.

The verdict, now the subject of an appeal, was regarded as a serious setback for the police economic crime section, which invested considerable prestige and resources in prosecuting Mr Bonde Nielsen. His lawyers, Mr Jesper Berning and Mr John Korso Jensen, claim the police have used methods which make a fair trial impossible. The appeal court case will be "a lottery," they say, and they cannot continue to lend legitimacy to the proceedings by acting in defence of Mr Bonde Nielsen.

Earlier this month, the latter alleged at a news conference, at which his lawyers were present, that the appeal court judge originally scheduled to hear the case had said, in the presence of witnesses, that Mr Bonde Neilsen was "a swindler" and that he would "find a way of getting him." Mr Bonde Nielsen challenged the judge to sue him. The judge, who is not now in line to hear the case, said he did not recall the remark.

Mr Bonde Nielsen, who now lives in London, says he intends to return to Copenhagen for the appeal case.

France names minister for Europe

By David Marsh in Paris

MR BERNARD BOSSON, a French junior minister, has been promoted to take over a new portfolio for European affairs in a minor shuffle of France's right-wing government.

The absence of a Minister for European Affairs has been regarded as an omission likely to cause difficulties with France's Community partners.

However Mr Bosson — in line with the experience of occupants of the post during the previous Socialist administration — is likely to have little room for independent action. The Ministry is under the thumb of Mr Jean-Bernard Raimond, the Foreign Minister.

Mr Raimond himself moves in the shadows of foreign policy decision-making as the main dossiers are determined through a delicate process of power-sharing between President Francois Mitterrand and Mr Jacques Chirac, the Prime Minister.

His nomination was accompanied yesterday by the announcement that Mr Camille Cabana, up to now Minister for Privatisation, is moving to a new junior portfolio under Mr Chirac in charge of administrative reform.

Mr Gerard Longuet, formerly state secretary in charge of posts and telecommunications, has been elevated to full ministerial responsibility for this sector. But he will remain under the authority of Mr Alain Madelin, the Industry Minister.

Kohl holds talks with Vranitzky

CHANCELLOR Helmut Kohl of West Germany and Chancellor Franz Vranitzky of Austria are due to meet today to ease tension over a planned nuclear power plant in Bavaria and discuss an accord to exchange information about nuclear plants, diplomatic sources said yesterday, Reuter reports from Vienna.

The first meeting is to be held at the Austrian lakeside resort of St Gilgen, east of Salzburg, where Mr Kohl has rented a holiday home for the past 20 years.

Normally excellent bilateral ties have soured over Austrian opposition to a nuclear recycling plant to be constructed at Wackersdorf, 75 miles from the Austrian border.

Car bomb kills 20 in Tehran

TWENTY people were known last night to have been killed in yesterday's rush hour car bomb explosion in central Tehran, Tehran Radio said, Reuter reports from Tehran.

Many were also said to have been injured when a second car bomb exploded in a crowded central square, the official Islamic Republic news agency said.

Our Foreign Staff writes: *The Iranian Government yesterday blamed the People's Mojaheddin of Iran, the main opposition group, for the explosion.*

From its Paris office the movement condemned any such form of bombing of public places

Tanzania—IMF agreement ends longstanding feud

BY MARY ANNE FITZGERALD IN NAIROBI

TANZANIA has reached an agreement with the International Monetary Fund (IMF) for a standby facility of just under SDR 63m (£52m), diplomats in Dar Es Salaam have confirmed.

The loan signals a shift in policy away from the doctrine of self-reliant socialism promulgated by retired head of state Mr Julius Nyerere and paves the way for several hundred million dollars in aid from World Bank and other donors badly needed to revitalise the economy.

The agreement was concluded after years of fitful negotiations that were taken up in earnest last year, shortly after Mr Ali Hassan Mwinyi succeeded Mr Nyerere. The first tranche is expected to be drawn down in September or October.

The Finance Ministry despatched a letter to the IMF requesting access to a standby facility on August 15, according to diplomats based in Dar Es Salaam. The formality brought to an end a longstanding dispute between Tanzania and the IMF, which Mr Nyerere last year branded as "a colonial power."

Tanzania, above all other countries in Africa, has held out against the IMF on the grounds it is a capitalist institution exploiting the Third World. Relations with the Fund plummeted when the last standby arrangement, extended in September 1980, collapsed after only three months over a dispute on the loan's conditions.

Pressing economic problems forced Tanzania to return to the Fund. An application in July 1983 for a SDR 450m three-year extended Fund facility was turned down.

The new agreement gives Tanzania access to a further loan of about SDR 20m under the Fund's newly created structural adjustment facility and paves the way for a World Bank multi-sector rehabilitation credit of over $100m.

A World Bank mission concluded a visit to Tanzania last week. The loan will consist of funds to support recurrent expenditure and quick rehabilitation of the agriculture industry and transport sectors.

Last June Tanzania presented a budget that bore the IMF hallmark. It included a 33.3 per cent devaluation of the Tanzanian shilling, hiked producer prices and a cutting on public sector borrowing and credit expansion. Since then the shilling has been readjusted against the currencies of its trading partners on an almost weekly basis, indicating a willingness to implement further devaluations.

Early in June a consultative group meeting in Paris elicited donor pledges of $800m annually for the next two years. The funds are to help support an ambitious $4.5bn three-year recovery programme designed to spur agricultural and industrial growth. Donors have also indicated their willingness to reschedule part of Tanzania's $3.5bn foreign debt.

Peres presses for early summit with Mubarak

BY TONY WALKER IN JERUSALEM

ISRAEL IS pressing for an early summit meeting between the Egyptian and Israeli leaders. Mr Avraham Tamir, a senior Israeli officials, has been in Cairo discussing preparations for a possible summit.

Mr Shimon Peres, the Israeli Prime Minister, wants a summit with Mr Hosni Mubarak, Egypt's president, to cap his term as Israel's leader before he hands over in mid-October, to Mr Yitzhak Shamir, the hardline leader of the right wing Likud faction in the national Unity coalition.

Mr Peres' Labour Party entered into a coalition agreement with Likud after elections in 1984 were deadlocked.

The Egyptians are less enthusiastic about a summit because of likely domestic opposition at a time of economic crisis in the country.

Most of the left and the religious right in Egypt are opposed to improved ties with Israel. These groups are highly critical of the 1977 peace treaty that led to Egypt's suspension from the Arab League organisation of Arab states.

Mr Mubarak is under pressure from the US to meet Mr Peres and to normalise Egyptian-Israeli relations, frozen since Israel's 1982 invasion of Lebanon.

Egypt will not wish to offend Washington at a time when it needs emergency financial support. But Egyptian officials are wary of a summit meeting. They ask what benefit such a meeting would bring to Egypt.

Swiss bank breakthrough for Aquino government

BY SAMUEL SENOREN IN MANILA

The Government of Philippine President Corazon Aquino appears to have made a significant breakthrough in its attempt to recover large sums of money deposited in Swiss banks by deposed President Ferdinand Marcos, who is accused of amassing an estimated $1bn (£671m) to $5bn (£3.3bn) in ill-gotten wealth during 20 years in power.

Mr Jovito Salonga, chairman of a special presidential commission which is tracking down the Marcos fortune, told reporters yesterday he expected the Swiss banks to return to the Aquino Government part of the Marcos deposits "in a matter of months, in less than a year."

But Mr Salonga declined to say how much money was being recovered or how many banks were involved upon the advice of the Aquino Government's Swiss counsels.

Mr Salonga did confirm, however, that secret proceedings were continuing in Swiss courts involving the Aquino Government and representatives of Mr Marcos and his wife, Imelda.

Since Mr Salonga's commission was formed by Mrs Aquino five months ago, it has recovered and turned over to the Government $100m, 200 titles to prime land and shares of stock in some 200 companies.

Contracts and Tenders

Karami meets Christian ministers

By Nora Boustany in Beirut

LEBANON'S Sunni Moslem Prime Minister yesterday met Christian cabinet members for the first time since November, thus ending an estrangement caused by disagreement over a Syrian-brokered militia accord.

Mr Rashid Karami, the Prime Minister, conferred with Mr Camille Chamoun, Christian Finance Minister and Mr Joseph al Hashem, Health Minister, at the parliament building straddling the green line dividing Beirut into Christian and Moslem halves.

In response to an offer by President Amin Gemayel on August 1 to launch a debate over reforms and reconciliation through Lebanon's parliament and cabinet should act as a committee for national dialogue with its Moslem, Christian and Druze ministers representing the main religious sects in Lebanon after 11 years of civil war. Despite the wave of car bombs in Christian and Moslem areas, Mr Karami's initiative has spurred hopes for entente after a nine-month rupture in government activity.

Mr Karami has dropped his demands for President Gemayel to resign in the wake of his rejection of a Syrian-sponsored accord which collapsed last January.

Peace hopes were buoyed on Monday night when Mr Walid Jumblatt, Lebanon's Druze Minister and chieftain, appeared on a television station run by the Christian militias and expressed readiness to consider new plans for ending civil strife in Lebanon. Mr Jumblatt said there were loopholes in the tripartite militia accord, "and we are willing to discuss another agreement.

"In order to emerge from the Lebanese crisis, I believe we must get out of the permanent impasse and achieve a dialogue that satisfies all factions and communities," he said.

Meanwhile, Parliament yesterday passed a bill banning the central bank from selling any of Lebanon's gold reserves without recourse to the legislature. The central bank has 9.222m ounces of gold stored in Lebanon, Switzerland and the US. The reserves are valued at $3bn.

The Australian budget has increased taxes and cut public spending, **Richard Hubbard** reports

Keating clears the way for investment-led recovery

THE AUSTRALIAN Federal Government has cut back sharply on spending and pushed up taxes in its 1986-87 budget in a bid to reduce the public sector's demand for finance and clear the way for a private investment-led resurgence in the economy.

Faced with the collapse of its export earnings, the Government has cut more than A$3bn (£1.25bn) from existing spending, called for a 2 per cent cut in wages in the next cost of living adjustment, delayed promised income tax cuts and increased a wide range of taxes and levies to raise an extra A$2bn in revenue.

The moves allowed the Government to bring the budget deficit down from A$5.7bn in 1985-86 to A$3.5bn through almost equal amounts of expenditure cutting and revenue raising.

Mr Paul Keating, Federal Treasurer, told parliament the ground lost in export markets over the past year had slashed national income by over A$6bn, forcing the Government to take a lower growth path which would see gross domestic product rise by around 2.5 per cent in 1986-87, compared with 4 per cent in the last financial year.

AUSTRALIAN BUDGET PROJECTIONS

	Fiscal years, end June 1985-6	1986-7
Budget deficit (A$bn)	−5.73	−3.50
% of GDP	2.5	1.4
Federal spending (A$bn)	69.92	74.76
Federal revenue (A$bn)	64.19	71.26
Spending, real % change	+2.5	0.0
Spending % of GDP	30.1	29.4
Defence spending (A$bn)	6.67	7.41
Foreign aid (A$bn)	1.03	0.96
PSBR % of GDP	6.0	4.4
Federal bond sales (A$bn)	5.7	3.0
Social security plus welfare (A$bn)	19.19	20.76
Inflation, %	8.4	8.0
Real non-farm growth %	4.0	2.5
Award wages, % growth	4.5	4.5
Current account deficit % of GDP	6.0	6.0

But the Treasury forecast contained in the budget paints a bleak picture for the future of Australia's balance of payments.

The Treasury estimates there will be another 8 per cent drop in the terms of trade, while the Australian dollar is expected to remain at its present low levels.

This will give a current account deficit in 1986-87 higher than last year's A$13.7bn but slightly lower as a proportion of GDP.

Mr Keating remained optimistic that the depreciation of nearly 30 per cent in the dollar over the past 18 months would make Australian industry more competitive.

Most of the growth the Government is forecasting for 1986-87 will stem from an increase in exports and the replacement of imports with locally-produced goods, Mr Keating said.

But this modest outlook was overshadowed by a budget forecast which shows inflation set to stay at 8 per cent, further rises in unemployment, and a slowdown in private fixed investment.

To encourage export activity and import replacement the Government has cut A$2.5bn from the public sector borrowing requirement, reducing its bond selling programme by a similar amount. There will be no increase in the net value of bonds to be sold this financial year.

This move alone is expected to put a heavy downward pressure on interest rates as government paper on the market dries up.

To bring the overall deficit down to A$3.5bn, the Government has handed down a budget which contains no real growth in expenditure for the first time since the mid-1950s.

It involves cuts in a wide range of welfare, education, health, and defence items.

Pension indexation increases have been deferred and the criteria for a wide range of social security payments have been tightened.

Defence was given only 1 per cent real increase in funding. Overseas students face increased charges and local students will have to pay an A$250 administration fee for higher education.

Scheduled fee rises for doctors have been deferred, the Medicare levy on income which funds the national health system has been increased by 0.25 per cent and charges for pharmaceutical products have been doubled to A$10.

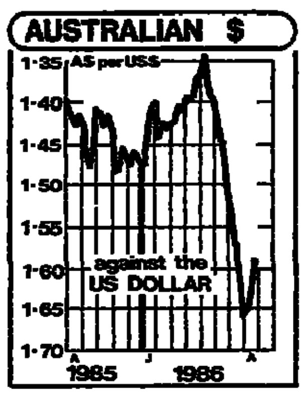
In an historic decision for the Labor Party, the ban on exports of uranium to France has been lifted to raise an extra A$66m.

The Government's first act to raise revenue was to defer promised income tax cuts due on September 1 for two months, a move which will save over A$600m.

Sales tax on wine was doubled from 10 to 20 per cent and a wide range of previously exempt goods such as swimming pools and spas were brought under the tax umbrella.

In an ominous move for the burgeoning computer industry a tax has been introduced on a range of software products, the first government tax on the computer services sector.

The bank account debits tax has been raised from A$1.50 to A$2 and excises on petrol and diesel have been increased to give a three cent per litre rise in the cost to the consumer. The changes bring tax as a proportion of GDP to 25.5 per cent and total revenue to 28 per cent of GDP.



This is the highest level for budget receipts in the post war period and breaks the Government's self-imposed ceiling made during the last election campaign.

But the Treasurer remains confident that the budget measures will encourage a more robust and aggressive economy.

Budget backed by business community

By Robert Kennedy in Sydney

THE AUSTRALIAN business community yesterday backed the budget handed down by Treasurer Mr Paul Keating.

Mr Bob White, Australian Business Council chairman, said the Government had faced up to the tough decisions needed to enhance the country's stock in the eyes of overseas investors.

The A$3.5bn (£1.47bn) deficit announced by the Treasurer was supported by the international money market; the Australian dollar firmed slightly against the US dollar soon after the announcement.

In New York, a spokesman for Morgan Stanley said he had been surprised by the Treasurer's resolve to stick to the tough document he had promised.

"I don't know how this will affect the Government electorally, but it should boost the image of Australia on Wall Street," he said.

US investment funds were likely to target fixed interest opportunities like Australian government bonds as a result of the resolve that had been shown.

Tunisia devalues dinar by 10% and cuts public spending

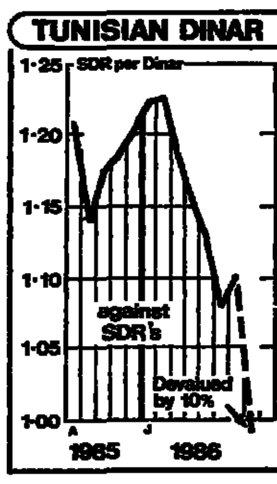
BY FRANCIS GHILES

MR RASHID SFAR, Tunisia's new Prime Minister, yesterday announced a 10 per cent devaluation of the Tunisian dinar.

At an extraordinary session of the National Assembly devoted to the economy, Mr Sfar, who was appointed Premier by President Habib Bourguiba last month, announced a number of cuts in public spending and confirmed that Tunisia is expected to complete negotiations with the International Monetary Fund (IMF) which will allow it to draw the first tranche of its quota with the Fund and a compensatory financing facility to offset the sharp fall in exports suffered this year.

Together, such facilities will amount to dinars 187m (£161m). A further dinars 72m will be sought from foreign governments but observers in Tunis discount any massive resource to loans from international banks.

Further help will come in the form of two World Bank loans, amounting to $275m to help restructure the industrial and farming sectors.



For many years Tunisia was regarded as a model of Third World economic development by the World Bank, but the management of North Africa's smallest economy has come in for some criticism since the early 1980s.

A number of sectoral reports have, however, been conducted by the Bank since 1984 and the Tunisian Government's new policies have the blessing in private of both the IMF and the World Bank.

Mr Sfar is addressing himself first to the acute shortage of foreign currency and the widening balance of payments deficit. The current account deficit is expected to increase this year from Dinar 490m to Dinar 640m as a result of the massive shortfall in the country's foreign exchange income.

This is the result of the decline in the price of crude oil, which was until last year, Tunisia's major export. The fall in tourist receipts following the US bombing raid on the nearby Libyan capital last April and a disastrous cereal crop because of drought, have also contributed to the foreign exchange shortage.

These three factors will cost the economy $300m in foreign income this year alone. Further factors such as the loss of remittances from the 40,000 Tunisians expelled from Libya a year ago have also added to the deterioration.

Imports, meanwhile, are running at roughly the same level as last year when they reached Dinar 2.685bn. A confidential document put to the Council of Ministers late in June insisted that cutting imports in order to avoid increasing the trade deficit would slow economic growth and fail to address Tunisia's structural problems.

As a result, Mr Sfar will cut subsidies on a number of staple foods whose price has already increased since the foods riots sparked off in January 1984 by the President's decision to double the price of bread. The aim is to do away with subsidies on meat and milk by the end of next year and reduce those on bread and cooking oil.

Subsidies will cost the exchequer dinar 220m this year, instead of dinar 260m in 1984.

Major investment projects are already being reviewed, a task which the President has entrusted to Mr Mancour Skhiri, the powerful head of his private office. The World Bank has been critical of what it feels has been Tunisia's preference for capital intensive projects at a time of rising unemployment.

The basic industrial wage meanwhile was raised by dinar 10 to dinar 105 last month and inflation this year is well below last year's level (0.4 per cent for the first seven months of 1986 against 2.8 per cent for the equivalent period last year).

The Government has also taken measures to ensure that the poorest families do not suffer from the new policies, something it conspicuously failed to do in 1984, but senior Tunisians remain apprehensive of the possible reaction of the mass of their 7.5m countrymen whose standard of living has declined since 1984.

Despite the cut, the budget deficit will increase this year by dinar 24m to dinar 240m, which amounts to 3.3 per cent of gross domestic product.

Beyond the immediate measures announced by Mr Sfar, the Tunisian Government is aiming to liberalise trade. It intends to cut tariffs and bring down the maximum tariffs from more than 100 per cent to 50 per cent by the end of next year.

They also intend to allow private manufacturers who export at least 25 per cent of their output to import the raw materials and spare parts they require freely. The privatisation of certain state companies is also being discussed.

Meanwhile, the authorities can only pray that Colonel Muammer Gadaffi of Libya stays quiet, that the price of oil rebounds and that rain is plentiful next autumn.

Protest ends at Rankin A oil rig

By Keith Wheatley in Perth

THE sit-in aboard the Rankin A platform on the North West shelf ended early yesterday as Woodside Petroleum, operator of the field, airlifted the 300 protestors back to shore.

Western Australia's state government had earlier threatened each man with fines of up to A$10,000 (£4,200) per day if the occupation continued.

Woodside has reinstated its workforce but the original 14 drillers sacked by a sub-contractor when they stopped work to hold a safety meeting over a frayed winch cable, remain dismissed.

An arbitration commission hearing in Perth is likely to determine the material facts of the case within the next few days.

California close to reform of unitary tax

BY LOUISE KEHOE IN SAN FRANCISCO

REFORM OF California's controversial unitary tax system appears "closer than ever before" state legislators said *yesterday as they met to iron* out the details of a compromise bill that could bring significant tax savings to multinational companies that have operations in the state.

Under increasing pressure from multinational companies, in particular UK banks and Japanese manufacturers, California has considered proposals to change its corporate tax system, which taxes the worldwide income of multinational companies, in each of the past six years. This year it seems likely that a tax reform bill may finally be passed before the state legislature recesses a week on Friday.

A major obstacle to unitary tax reform was recently removed when Mr George Deukmejian, California Governor, agreed to anti-apartheid sanctions. Previously, measures designed to penalise companies that do business in South Africa had been appended to tax reform by state Democrats but opposed by the Republican Governor.

With the South African issue effectively dealt with, state politicians are now trying to iron out a compromise between various tax reform proposals all aimed at phasing out the unitary tax system in favour of a "waters edge" method of assessment that taxes only US earnings.

The latest plan, which combines elements of earlier proposals, would allo wcompanies to opt for either unitary or waters edge tax assessment. Companies choosing to escape the unitary system would however be required to pay an annual fee of 0.03 per cent of their property, payroll and sales in California. The fee could be offset by new investments in California.

In a move designed to appease US-based companies, which have previously claimed that unitary tax reform would unfairly benefit foreign companies, the new proposal exempts 75 per cent of dividends earned by foreign subsidiaries of US companies from state tax. US companies making new investments overseas would however be forced to pay Californian tax on all of the earnings of the new operations.

Final details of the tax reform are scheduled to be worked out at a joint state Senate and assembly conference *tomorrow, but key members of* the committee have already voiced their approval. "I think we have a bill. I'm optimistic," said Mr John Vasconcellos, assembly chief negotiator. Mr Alfred Alquist, state senator and chairman of the conference, said: "I think we're pretty close to reaching an agreement." Mr Deukmejian has so far not voiced an opinion on the proposal.

Victory against the cocaine trade threatens the economy, reports **Barbara Durr**

Drugs war creates dilemma for Bolivia

WITH SOME prompting, from Washington, Bolivia's President Victor Paz Estenssoro has declared war on drugs. If he wins the war, however, President Paz Estenssoro risks losing the battle to revive his country's economy.

Since July 18, 170 US troops in a joint operation with the Bolivian police have found only three significant cocaine processing laboratories and captured one 17-year-old who cleaned aircraft. The cocaine kings are said to be safely enjoying the nightlife of Colombia and Brazil.

Bolivian and US officials claim that the operation has paralysed cocaine traffic in Bolivia, at least for the moment. The problem is that cocaine is Bolivia's biggest industry and without it the economy risks collapse.

The anti-drugs operation, dubbed Blast Furnace by the Americans, is threatening the orthodox economic adjustment programme put in place last year by the coutry's conservative government. "I'm furious," Mr Juan Cariaga, the Finance Minister said "because my programme is being hit."

The tough budget-cutting programme has succeeded in bringing under control Bolivia's world record inflation of 20,000 per cent, now officially at only 5 per cent, and in stabilising the exchange rate at just over 1.9m peso to the dollar. It has also won International Monetary Fund approval.

But if the cushion of "narcodollars" deflates significantly or disappears, the pressure on the exchange rate will be overwhelming, causing possible further devaluations and a new round of inflation.

Mr Cariaga calculates that the underground economy, primarily narcotics, provides two-thirds of the daily foreign exchange demand of approximately $3m. The remaining third is sold by the central bank.

"Since this operation started, the central bank has been under pressure and some day it's going to run out of foreign exchange. We urgently need balance of payments support to get through this operation," Mr Cariaga said. When the operation began, the central bank had reserves of $370m.

Mr Cariaga is hoping Washington will provide that support. He says the country will need about $200m.

President Paz has meanwhile appealed for help in the drug war not only from the US but from Britain, France, West Germany, Spain, Italy, Belgium, the Vatican and the United Nations. In a letter to all embassies in La Paz, Mr Guillermo Bedregal, the Foreign Minister, asked for aid and logistical assistance similar to that being provided by the US.

Bolovia's ambassador to Washington has requested an additional $100m in US aid and the Interior Ministry hopes that when the US soldiers leave, they will bequeathe their six Black Hawk helicopters. Neither request is likely to be granted.

President Paz Estenssoro brave gesture

There is scepticism, however, that anything short of a major international campaign will dent the Bolivian drug trade. Approximately 60,000 hectares of the country is planted with coca, the hearty shrub that produces four crops a year. The drug traders have progressed from being raw materials suppliers in the 1970s for Colombia's sophisticated processing laboratories, to processing and delivering the final product themselves.

Bolivia, now with an estimated 80,000 addicts itself, is reported to account for over half of all cocaine in the US. According to official Bolivian estimates, the industry turns over more than $2bn anually, only $600m of which flows back to Bolivia. Others put the tide of narcodollars to Bolivia closer to $1bn a year.

Mr Fernando Miranda, director in Bolivia of the UN Fund for Drug Abuse Control, says that the Paz government has made a brave gesture, but one that will fall flat without hefty suport from the international community. "Rich societies will benefit from this, but Bolivia is paying the price," he said.

The cost is not only measured in dollars and pesos. President Paz is paying dearly in political terms for having invited in the American troops.

Bolivia's image among its neighbours has been hurt. Colombia and Peru, the two other major drug producing *nations have publicly rejected* following Bolivia's example. Argentina even worried that the US was using the drug operation to establish a permanent base in Bolivia.

At home, the Bolivian congressional opposition has announced that it will put four ministers involved in Blast Furnace on trial for a "flagrant attack" on the country's sovereignty. The Bolivian central workers federation, the COB is pushing to have President Paz tried as well.

The popular backlash could increase if the operation registers any substantial success against drugs traders. The livelihood of several hundred thousand peasants depends on the cocoa trade.

The US was originally pressing Bolivia to eradicate the coca plantations themselves, but this was considered politically and socially impossible.

Serious social turmoil i already being predicted as result of the severe contraction of the economy. Mr Herbert Muller, a president of the central bank during the last government, estimates that the anti-drugs battle will boost unemployment to as much as 30-40 per cent, *from its already high* level of 18-20 per cent. Idle industrial capacity is running about 40 per cent, imports are hurting business, banks are closing branches and mining, Bolivia's traditional economic mainstay, has hit historic lows.

This year mineral exports are expected to reach barely $56m, and exports overall will be lucky *to hit $400m.*

The Government has moved to close mines and forcibly "retire" 7,000 of the state company's 297,600 miners since the beginning of the year. It recently shut down the country's largest tin mine, Catavi, making a further 3,800 workers redundant.

The business community is concerned that the government has no plans beyond its short-term stabilisation programme. What is needed, according to Mr Jorge Jordan, President of the Bankers Association and general manager of the Banco Industrial and Ganandero del Beni, is a plan to stimulate the economy.

What to stimulate, however, is a problem. Bolivia's transport difficulties and rough terrain make it nearly impossible to compete against imports or on world markets, except, that is, for cocaine.

Mexican standby loan wins approval

By Alexander Nicoll

MEXICO'S advisory committee of 13 leading creditor banks announced yesterday that it had agreed to recommend other banks with large exposure to the country that they should participate in a $1.6bn (£1.1bn) standby loan.

The banks' portion is $500m, believed to be divided among over 40 contributors, with the remainder to be made available by the US and 15 central banks. However, the banks' share will not be available to Mexico until negotiations on longer-term financing are well advanced.

The contingency loan is being provided in case Mexico needs short-term funding to tide it over until the country's $1.6bn agreement with the International Monetary Fund (IMF) is signed.

The IMF agreement will depend, in turn, on virtually all Mexico's creditor banks, numbering over 500, agreeing to take part in about $6bn of new lending between now and the end of 1987.

Negotiations on the longer-term package begin in earnest today when Mr Angel Gurria, Mexico's director of public credit, makes a presentation to the advisory committee in New York.

Expectations that the medium-term package will be very hard to raise were reflected in the terms of the contingency loan hammered out in over two weeks of talks. Banks participating in the short-term financing will not make the $500m available until the medium-term package is 90 per cent committed.

This condition reduces the possibility that larger creditors could be left high and dry should the medium-term financing prove impossible to raise from the smaller ones.

Mexico is to pay interest on the contingency loan at ⅞ percentage points above London interbank offered rates, the same margin as on its existing rescheduled debt. The loan is to be repaid out of the first disbursement of the $6bn medium-term loan.

Mr William Rhodes of Citibank, co-chairman of the advisory group, said all 13 members had agreed to take part in the contingency loan.

Concern mounts over Brazil inflation as IMF team arrives

BY IVO DAWNAY IN RIO DE JANEIRO

ANALYSTS FROM the International Monetary Fund (IMF) have arrived in Brazil for their annual fact-finding mission, to be met with a series of conflicting reports on the health of the economy.

Several key indicators—industrial growth, and visible trade figures — continue to appear positive, but there is mounting concern in the country over growing inflationary pressures, the government's operating deficit and control of the money supply.

The five-strong IMF team, visiting under the Fund's "article four" provisions, were greeted with an alarmist newspaper report quoting an unnamed presidential economic advisor as acknowledging that the country's price freeze was all but officially over.

The report, backed up by a two page analysis of breaches in the policy, was immediately dismissed by Mr Dilson Funaro, the Finance Minister, who claimed that prices of more than 80 per cent of products remained firmly under government control.

Yesterday, however, FIESP, the influential Sao Paulo industrialists' federation, painted an altogether more rosy picture of business confidence in the economy. It claimed that Brazilian business expects growth of over 13 per cent by the year-end, and that price disputes are affecting only 5 per cent of industry and are being resolved quickly.

Mr Paulo Francini, FIESP's viec-president, warned that industrialists expect an overall price adjustment within three months, but said that orders and productivity patterns suggested that growth would be sustained beyond the short-term.

For the IMF team, attention is likely to focus on the government's conduct of its monetary and fiscal policy. Preliminary reports suggest that efforts last month by Brasilia to rein-in consumer demand are beginning to feed through in improved savings figures.

Interest rates have risen sharply recently, exceeding an annualised 48 per cent last week and there have been some signs of a slowdown in the growth of the money supply. The monetary base grew 14 per cent in July, but the M1 measure—cash and demand deposits—fell 0.3 per cent against a 15.4 per cent rise in June.

The most persistent source of concern has been the Government's operating deficit, however. Estimates for the likely year-end result are highly disputed, but many believe it will be in excess of the estimated 3.3 per cent of Gross Domestic Product last year.

Despite a five-month inflation rate of under 5 per cent since March, the so-called "psychology of inflation" has still not been broken, FIESP says.

UK and Guatemala to renew diplomatic relations

BY OUR FOREIGN STAFF

BRITAIN and Guatemala have decided to renew diplomatic relations after years of tension over Guatemala's claim to its Central American neighbour Belize, a former British colony.

The two countries announced yesterday they would start consular relations immediately and hoped to re-establish full diplomatic ties by the end of the year. Guatemala added a footnote to the joint statement, saying it expected Britain to co-operate "in finding satisfactory solutions in the Belize controversy."

Guatemala broke off diplomatic relations with Britain in 1963, and cut consular links in 1981, the year of Belize's independence. Britain maintains 1,600 troops in Belize.

Guatemalan officials say the Government of President Vinicio Cerezo believes the renewal of relations with London could improve the country's ties with the European Community and help the negotiations over Belize.

British group signs $400m countertrade contract with Indians

BY FRANK GRAY

MG SERVICES of London and the Metals and Minerals Trading Corporation (MMTC) of India have signed an agreement to trade about $400m in goods over the next two years.

The countertrade agreement was signed earlier this month, Mr Yves Kupfermunz, MG Services' managing director, said yesterday. Under the contract, MG Services, the countertrade unit of the Metallgesellschaft and Lous Dreyfus groups of West Germany and France, will sell about $200m of Indian manufactured goods and commodities to non-traditional markets, mainly in Latin America, Africa and parts of Asia.

In exchange, the MMTC, a state trading organisation, has gained Government approval to lift about $200m in hard commodities from MG Services, which has a global client base and has agents or offices in about two dozen countries.

The outline commitment is for MG Services to sell fertiliser, metals, rock phosphates, chemical compounds, steel, asbestos and other goods to India.

In return, the company will buy Indian engineering products, such as earth-moving equipment, diesel engines, pipes and pumps; chemicals; minerals and agricultural goods, such as cotton, rice and wheat; textiles; carpets and leather goods.

The deal represents a breakthrough for MG Services, which has long sought to break into the lucrative Indian countertrade market.

The deal emerged from a presentation made by the London company to MMTC earlier this year which stressed the value of counter-trading goods in "basket" form rather than on an item-by-item basis.

MG Services is understood to be close to a similar accord with the State Trading Corporation which would involve the handling of Indian soft-commodities, such as sugar and palm oil.

Trade talks lead to US telecoms deals in Japan

BY IAN RODGER IN TOKYO

US SUCCESS in winning more than $1bn in telecommunications equipment orders in Japan in the past few months has been attributed largely to the impact of bilateral trade *talks aimed at removing Japan's* barriers to imports in this sector.

Mr Bruce Smart, the US undersecretary of commerce, in Tokyo this week for talks on trade issues, said yesterday the negotiations on telecommunications services and equipment, which began last year, had been completed successfully.

Japan had agreed to make "very significant" reductions in what the US considered excessive documentation requirements for imported equipment. Already, substantial orders were being placed by Japanese companies for US-made equipment. They consisted mainly of two telecommunications satellites, but also included some simple switching equipment.

The US was also pleased that the approval system used by NTT, the national telecoms carrier, for equipment to attach to the network, had been simplified last autumn. Since then, 1,150 applications had been approved of which 174 *were from foreign companies,* 103 of them from US companies.

Mr Smart said the two sides had agreed to monitor the performance of the industry in the future. "I believe they are sincere in wanting to see a greater degree of US products in the Japanese market."

Reuter adds: The Reagan Administration has appealed to Japan for help in reducing mounting protectionist pressures in the US, the Japanese Foreign Ministry said yesterday.

In a message to the Foreign Minister, Mr Tadashi Kuranari, Mr James Baker, the Treasury Secretary, and Mr George Shultz, the Secretary of State, *urged* Tokyo to boost domestic economic demand and cut its trade surplus, which totalled more than $50bn last year.

Soviets set to double oil exports in autumn'

THE Soviet Union *may* double crude oil exports this autumn because of higher output and its desire to raise foreign exchange earnings and maintain world market share, Mr Jan Vanous, of the US economic consulting firm PlanEcon said, Reuters reports from New York.

"The Soviet Union wishes to maintain its role in world oil markets and this means that it must export," said Mr Vanous, director of research. "Countries which hold supplies back until prices rise will lose market share."

The Soviet Union has set a 1986 target of 2.2m barrels per day. With first half exports averaging about 1.5 b/d, exports look set to rise above 3m b/d for the rest of the year, he said.

Mr Vanous said Soviet energy production was increasing strongly. Based on the most recent estimates available, he said coal production had increased about 4 per cent against a planned increase of 1.1 per cent above 1985.

Natural gas output was up about 7 per cent against a goal of 4.5 per cent, and crude oil output was growing at 2.9 per cent against this year's target of 3.6 per cent growth. Crude oil production was down 2.9 per cent last year.

Oil traders said Soviet oil availability had been slowly increasing in the market and Soviet exports were averaging about 1.3-1.4m b/d for the first quarter.

Mr Vanous estimates exports at 1.5-1.8m b/d for the second quarter, with an increase in the re-export of imported crude from 250,000 b/d to 400,000 b/d in the second quarter as well.

Oil traders believe the Soviet Union has only limited storage capacity so that as oil supplies build up it is forced to export.

"Even if the oil is exported to the eastern European countries rather than the West, they will only refine it and sell the products in the market, so one way or another that oil will get to the West," one international oil trade source said.

Mr Vanous said Soviet economic policies, which require large investments this year, are also pushing exports.

"This is the first year of the Five-Year Plan and the USSR needs the capital to modernise the economy and at the same time make up for the shortfall in agricultural output," Vanous said.

PEKING REVIEWS STRATEGY

Tourist rush to China slows

BY ROBERT THOMSON IN PEKING

THE ELDERLY tourist, who had longed to visit China complained that the guide due to meet her at Peking Airport had not arrived, and that the hotel room for which she had already paid was not available. She loved China, but hated the hassles.

Cases like hers are one reason why there has been a dramatic slowdown this year in the foreign tourist rush to China, and why the Government has been forced to review its strategy for the industry on which it had banked for hard currency earnings.

Figures just released by tourism authorities show that the number of foreign tourists increased by only 4 per cent in the first half of this year, compared with the corresponding period of last year. In the first six months of 1985 the increase was 30 per cent. Tourism for all of 1985 earned the country $1.3bn.

A breakdown of figures provided by the State Statistical Bureau shows that in the first *four months of 1986, the flow* from Japan, the major source of foreign tourists, was down 3.7 per cent on 1985's corresponding period, while a rise of 35.4 per cent was recorded last year on 1984's first four months.

Australian tourists were down by 28.9 per cent, after a 57 per cent rise last year, a fall partly explained by the decline of the Australian dollar, while French tourists fell 26.9 per cent after a 74.2 per cent increase last year. Tourists from the US fell 1.6 per cent, after a 49 per cent increase last year.

About 520,000 foreigners visited China in the first five months. The Government hopes that figure will be 10m by the end of the century.

An editorial in the China Daily this week admitted that the tourist industry was "still rather backward."

The Great Wall: a favourite with tourists

In spite of this spending on developing facilities, it stressed the poor service offered to tourists.

A tourist industry analyst said the novelty and mystique of China was not as strong as it was five years ago when travel curbs had only recently been lifted. The country would have to prove that it was price and service competitive if it was to see the huge increase in tourists that it plans.

Meanwhile, the number of overseas Chinese and what Peking calls "Hong Kong, Macao and Taiwan compatriots" (none of whom are considered to be foreigners by the Chinese government) is still showing strong growth and make up the bulk of visitors. About 9.15m visited in the first five *months, a rise of just over 20* per cent.

The director of the state tourism administration, Han Kehua, said the Government would attempt to establish a classification system for hotels along the lines of the international classification system in a bid to sustain foreign tourist growth.

Han told the newspaper People's Daily that hotels for tourists are being built by various authorities to varying standards, so the government will centralise control by establishing "hotel group corporations."

Han said the recent devaluation of the Chinese yuan by about 15 per cent against the US dollar would not result in Chinese authorities attempting *to make up the difference by* increasing prices, but several hotels have already lifted tariffs.

The China Daily said the main complaints of foreign tourists are: sudden changes in itineraries, over-priced hotel rooms with poor service, poor food, and the inefficiency of guides and interpreters.

"All in all, it is a fact that poor service is hindering development of the tourist industry," the paper said. "Employees in the tourist industry should be urged to observe discipline and ethics.

"Moreover, managerial reforms should be carried out to smash 'the egalitarian communal rice bowl' and ensure that all who work devotedly are rewarded and slackers penalised as they deserve."

The government is encouraging tourists to fill out questionnaires to assess the quality of guides assigned to them, with the promise that "bad guides are to be criticised and fined."

Swiss engineers expect orders to fall

PROSPECTS for Switzerland's engineering industry are deteriorating, according to the Swiss Association of Machinery Manufacturers (VSM), writes John Wicks in Zurich.

Exports increased 7 per cent in the first half over last year's but new orders are expected to be affected in the coming months by exchange rate problems caused by the continued weakness of the dollar and sterling and a recent drop in the Deutsche-mark in terms of Swiss francs.

The trend towards bilateral trade restrictions is a further obstacle, says VSM.

First-half orders received by 200 member companies fell by 5 per cent over the corresponding 1985 period. However, the results largely reflected the all-time record set in the first quarter of last year, said VSM chairman Mr Wolfgang Marti in Zurich yesterday.

Mr Marti announced that the association has set up a coordination unit to further Swiss participation in joint European research projects.

VSM has already played a role in promoting such programmes as Eureka, Esprit II, Race and Brite.

For the first time ever, the association has also produced estimates in respect of the industry's presence in foreign markets.

According to vice chairman Dr Bruno Dönni, the approximately 500-member companies operate some 9,900 sales agencies abroad, as well as more than 900 sales subsidiaries, 390 manufacturing companies and about 190 joint ventures.

W. Germany takes over as Spain's top supplier

By David White in Madrid

THE first tariff reductions between Spain and the rest of the EEC have already brought a distinct shift in trading patterns — ending Spain's traditional import reliance on the US and beginning to plunge its trade with the rest of the Community into deficit.

West Germany, boosting its share of the Spanish market from about 10 per cent to more than 14 per cent, supplanted the US as number one supplier in the first half of the year. Spain's total two-way trade was worth $54bn in 1985. The EEC share was worth $23bn.

Increasing inter-penetration between Spain and Europe has been accentuated since the first *annual tariff* cuts under the transition process took effect in March. As expected the initial impact has been to favour EEC suppliers more than Spanish exporters. Spain's total commercial balance with its partners, which had been in surplus, dipped into deficit in May and June.

Spanish imports from the EEC were 23 per cent up for the half-year, compared with the corresponding period of 1985, while exports to the Community rose by about 9 per cent.

The share of Spain's exports going to the EEC has risen from 50 per cent last year to more than 60 per cent, including sales to the other new member, Portugal. Almost 19 per cent of the total went to France, compared with a previous level of around 15 per cent.

EEC countries' share of Spain's total imports has climbed even more sharply, from 38 per cent last year to almost 48 per cent for the first half of this year.

In spite of the recent shift in the balance, Spain maintained a surplus with the EEC for the half-year, of Pta 38bn (£193m). This compares with a Pta 154bn surplus in the corresponding period last year.

Spain's overall trade deficit of just over $3bn in the half year was 5 per cent down in dollar terms on the corresponding period of 1985.

A report by Banco de Bilbao predicts that the deficit for the whole year will be below last year's $4bn. The surplus on the balance of payments current account is expected to exceed the 1985 figure of $3bn.

FINANCIAL TIMES SURVEY
Wednesday August 20 1986

Tianjin

Trade gateway to Northern China

"TIANJIN was famous abroad when it was still spelled 'Tientsin' because of its role in China's 19th century "Boxer Rebellion," says a Chinese trade official, wryly. "Now, with the new phonetic spelling, no-one abroad knows where we are!"

Although close to Peking, and administered by an active group of leaders eager for contacts, Tianjin has attracted surprisingly few foreigners.

Less famous than Shanghai, with its wickedly glamorous past, or the capital Peking, the centre of political power, it is still the gateway to northern China. It is the country's third largest city and second-largest port. Indeed, like the other two, its importance is such that it ranks as a province.

Before 1949, Tianjin was a handsome European-style commercial seaport with a fine business area and elegant villas for well-to-do expatriates. Once a monument to Western exploitation, it is now Sinified by time, though there are still English-speaking graduates of its foreign schools who play important roles in its trade bureaucracy.

It is a curious experience to walk the streets, trying to spot the architectural changes at the boundaries of the eight former European and Japanese concessions. It is also a salutary reminder of the indignities suffered by China before 1949. Much of the past remains, from the Art Deco Austrian Kiessling's café to the massive former British Kailuan Mining Administration office, now the party headquarters.

Tianjin suffers from many of the problems which have beset Shanghai. Its major industries date back not just to the 1950s, but to the 'teens and 20s. The Astor, its leading hotel until the opening of the new Hyatt, was built in 1900. ("How well I remember Mr Hawkins, the British manager before the war," recalls one old Tianjin hand fondly.)

Not only is the city's equipment antique, but so are some of the attitudes of the mid-level bureaucracy. "We still have leftists (codeword for conservative) elements in the city," says Deputy Mayor Li Lanqing.

The city's main industries have had little fresh investment since the 1960s. New equipment

By Colina MacDougall

is still limited to a foreign furnace here or measuring instruments there. There is nothing to parallel Shanghai's brand-new, mainly Japanese, 3m-tons-a-year steel complex.

Growth in the older industries—chemicals, textiles, steel—is painfully slow compared to the rising young processing industries in southern China. Even in Tianjin's own rural areas, where small factories packing pickled cabbage or making noodles for export, have mushroomed, industry is growing faster.

More worrying, an overview of a handful of Tianjin's larger factories suggests that Deng Xiaoping's economic reform is more honoured in the breach than the observance.

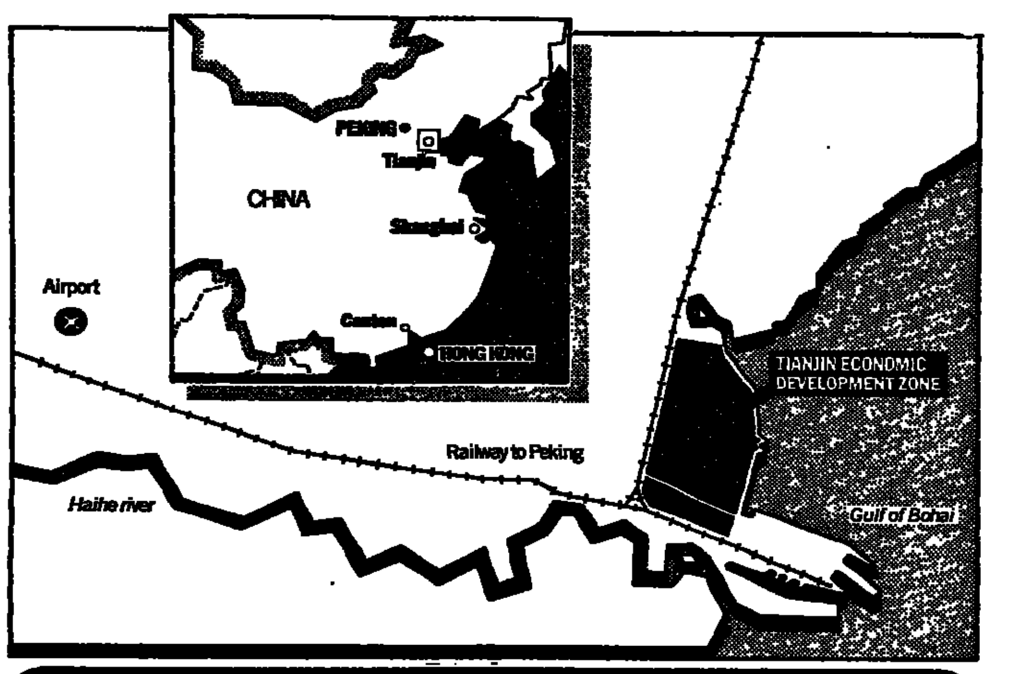
But Tianjin is probably easier for foreigners to deal with than Shanghai. Though it boasts a long association with the young Zhou Enlai, who attended school there and formed a Marxist society in the city, it does not have the same radical tradition. Its 1966-76 Cultural Revolution was less violent.

Probably its current most famous offspring is Wang Guangying, former businessman and brother-in-law of head of state Liu Shaoqi, who was murdered in the Cultural Revolution. Wang now masterminds the Everbright company, a not-very-successful Chinese venture in Hong Kong.

Tianjin's biggest blight in recent years was the catastrophic north China earthquake of 1976. Seventy per cent of its buildings were damaged. Even in 1981 the streets were still lined with temporary shacks and traffic reduced to a crawl. Peking then sent it extra money and a lively mayor, 53-year-old Li Ruihuan.

As the man who allegedly masterminded the building of Peking's Great Hall of the People and the Mao Mausoleum, Li came in 1981 from the capital with a reputation as a go-getter. Since then, unlike Shanghai, which still seems stuck in its problems of crushing bureaucracy, the city of Tianjin has begun to change.

Many of the city's handsome semi-colonial buildings have been freshly refurbished. Entire streets of brick and timbered villas are gleaming with new paint. The former British Club, now the Municipal People's Congress building, again exudes an air of prosperity and comfort.



TIANJIN - CHINA'S THIRD CITY

This renovation is credited entirely to Mayor Li, who observed that, in the 1976 earthquake, the British buildings did not collapse. When he recently visited Britain, he remarked on how a coat of paint on window frames and cornices could improve a city's look, and applied the lesson when he returned to China.

Since his appointment, Li has built numerous new workers' housing estates and planned a huge ring road system. He has begun to tackle pollution by ordering the laying of gas pipes to eliminate coal for cooking. District heating is also on the programme.

Unlike Shanghai, Tianjin is well-placed for natural resources. Under the Chinese system, where huge stretches of land are attached to the adjacent city, the Tianjin area covers over 11,000 sq km. Within that, the municipality can draw on all oil and gas from well at the Dagang oilfield nearby or offshore in the Bohai Gulf. Coal, chemical raw materials and geothermal energy are also at hand.

The total population is almost 8m, and in the city proper, over 3m. There is a skilled workforce of 1.3m. All these assets plus its location near Peking with good rail, air and sea connections should commend it to foreigners interested in business ventures.

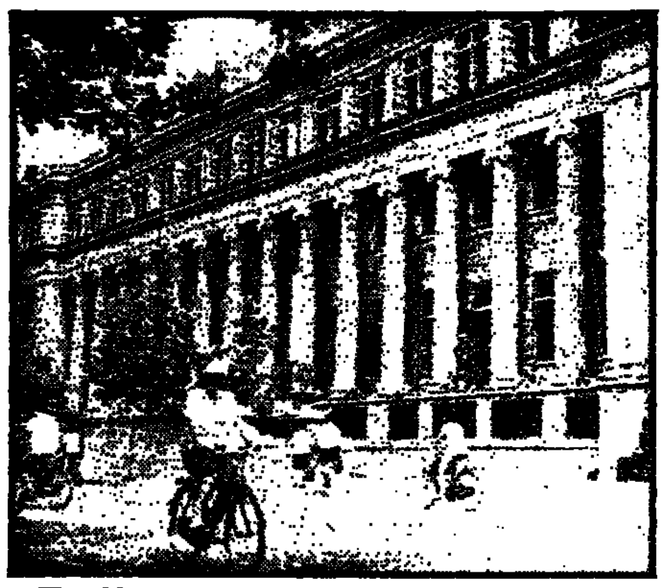
Though a fight broke out earlier this year between Chinese and Third World students at Tianjin's university, this event appears far from typical of its relations with foreigners.

The city so far has made a fair success of its joint ventures with foreign companies. It has been careful: "We've always approved only joint ventures that can be self-supporting in foreign exchange," says Zhuang Yikai, of the Commission for Foreign Economic Relations and Foreign Trade.

There is a promising new industrial zone in the Tianjin Economic Development Area run by 32-year-old Zhang Wei, who claims to be able to say yea or nay to projects immediately. The city has developed a relatively youthful hierarchy to deal with foreigners and speed their projects. "In Tianjin, unlike Peking and Shanghai, you can avoid the banquet circuit and get things done," comments one Westerner.

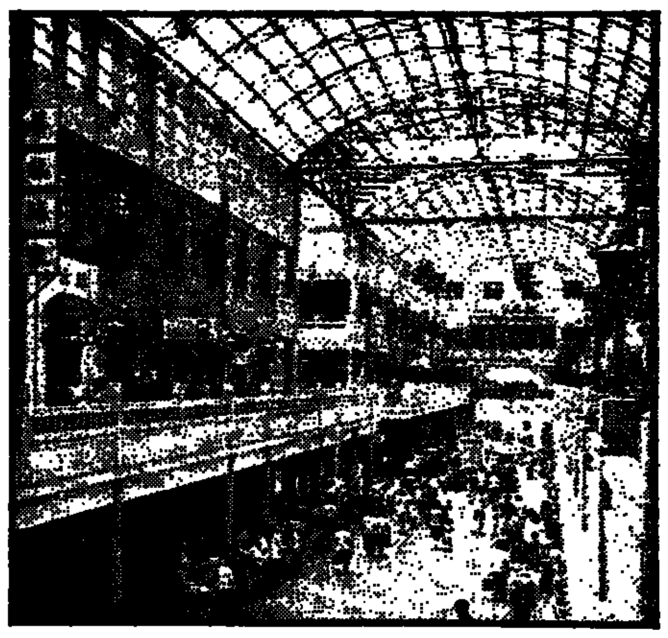
Tianjin has, of course, had problems. Japanese managers in the oil joint venture in the Bohai Gulf reportedly find it hard to work with their Chinese counterparts. Some foreigners, though not all, who work in the city, complain about the amenities. Joint ventures and other deals face many of the same local problems of inexperience, bureaucracy or shortages—as in other parts of China. But in Tianjin officials do appear to make an effort to find solutions.

With Peking and Shanghai, Tianjin is one of China's three most important cities. As a port developed by the British in the 19th century, Tianjin has a long history of foreign trade and is now making a strong effort to win more overseas investment.



● The old and the new: above, the Municipal Communist Party headquarters in Tianjin. The building was formerly the head office of the British Kailuan Mining Administration. The city was once the home of the young Zhou Enlai and it has a strong revolutionary tradition.

● Below: part of Tianjin's new Food Palace, a vast arcade with more than 100 restaurants.



Surveys on China

THIS is the first of a new series of surveys of selected regions and industrial sectors of China, to be published during the rest of 1986. A combined reprint of these surveys, together with the FT's annual national survey on China, will be available in December.

For copies, please send your order to Michael Robinson, Publicity Dept, Financial Times, 10 Cannon Street, London EC4P 4BY, together with a remittance of £5 per copy ordered.

Industry and Infrastructure

Foreign technology will be used in modernisation

WITH A mainly unmodernised industry, Tianjin is faced with severe difficulties in raising production, improving efficiency, increasing energy supplies and cutting pollution, the four-fold industrial targets of China's present leadership. The city has begun to tackle the problems by seeking foreign technology, building new power stations, improving communications and planning new industrial zones.

Tianjin followed the national pattern last year by stepping up output, though its industrial value percentage increase at 12.4 per cent was much lower than the countrywide average of 18 per cent. This year the Central Government has frozen bank borrowing, capital investment and further economic reform in order to reduce last year's overheating. In consequence, the value of the city's first half year 1986 industrial output was only 2 per cent above the same months in 1985, compared with the national average of 4.9 per cent.

All these figures show how much less resilient the city's industries are than those of more up-to-date Chinese centres such as the rapidly-growing towns of Jiangsu province in central China.

Tianjin, China's second largest port, contains small and scattered iron and steel plants, plus shipbuilding, petrochemicals and machinery industries. It also boasts an automotive factory making small trucks. Light industries include electronics, textiles and garments. Work has begun on ways and means of selective modernisation which will avoid too much expenditure of precious foreign exchange.

In the long term, the city plans to alleviate transport and pollution problems by building two industrial zones. One, the Tianjin Economic Development Area, is already under way in *Tanggu district near the port* at Xingang. This zone for joint ventures will have its own power supply and is close to shipping, rail and road transport.

The other area, to the east of the city, will accommodate plant planned to move from central Tianjin for environmental reasons. Effectively, in future, industry will function on the east bank of the Hai river, leaving the west bank as a cleaner, more attractive residential and service area.

A vital necessity for the city in general is more electric power. The shortfall at present is around 500 MW, says Li Yali of the city's Planning Commission. Power is rationed under a system which gives priority to the more important plants.

Tianjin plans to add another 1,000 MW of capacity before 1990, and the same again or more in the following decade. Vice-Premier Li Peng, an energy expert who studied in Moscow, has begun negotiations on this equipment with the Soviet Union. The intention is to import only turbines and generators, building the rest in China.

A 500,000 seamless steel pipe plant and an ethylene works are also on the stocks.

"We've bought 684 items of new technology in recent years," says Li. "Fifty of these are from Britain." One British item is the electric furnace from a Birmingham company, Dudley, for the No. 3 Steel Works.

Tianjin plans to buy another 200 or so items of foreign technology this year, on which the city will spend about $150m. Of this foreign exchange, $60m will come from the Central Government and the rest from the central Ministries or the factories' own retained foreign exchange earnings, Li reveals.

Tianjin is also looking for partners in the automotive industry — "Like Volkswagen *in Shanghai,*" *says Ma Junxin,* of the Economic Commission, apparently unaware of the problems of foreign exchange and bureaucratic high-handedness that the West German company has struck. It also seeks joint ventures in light manufacturing and foodstuffs production, such as meat processing, as well as electronics and paper-making.

To facilitate this development, the city plans to improve the infrastructure. One step taken recently was to form an overall Traffic Commission, to *co-ordinate railways,* roads, harbour, airport and river transport, along with telecommunications.

"We're one of just a couple of cities that has this kind of Commission," says Deputy Director Liu Mingzhe. "The *biggest problem is our different* varieties of transport and the Commission brings them all under one head."

Tianjin is linked by rail with much of China via Peking. It also stands at an important junction of the Peking-Harbin and Peking-Shanghai line. Problems at its own stations, Tianjin East and Tianjin North, are often the consequences of others' difficulties—"for instance, Baotou (Inner Mongolia) limits the trains from Peking and Tianjin," says Liu.

Rail problems have been partly solved by the diversion of goods to the roads.

"Between Tianjin and the harbour at Xingang 70 per cent of goods used to go by train," says Liu. "Now more than half travels by road." Coastal shipping is now used more for long-*haul transport—though slower,* it is cheaper. Port facilities are improving but money for extension is tight.

The Commission plans a Yuan 4bn project at Tianjin East railway station. This will involve a modernised signalling *system and longer platform to* accommodate trains or more than 20 coaches. A new four-lane highway between Tianjin and Xingang is partly completed and a similar route to Peking is planned for completion in 1988-89. In the longer term, says Liu, there will be highways from Peking to Fujian province and Harbin in Heilongjiang.

Tianjin now has 90,000 telephones, of which 10,000 are programme-controlled. It plans 120,000 by the end of the decade. Direct dialling to Hong Kong and Japan is now possible on many phones. In 1981 there were only 10 enterprises with telex, now there are 150. While the city still has far to go in modernising, it has made a reasonable start.

Colina MacDougall

Slimming labour force hits snags

IF Wang Yezhen had his way, about half of his shipyard's *workforce* would be dismissed, while women would be made to stay at home, and the "old fat ladies," in particular, would be done away with.

Mr Wang, director of the state-owned Tianjin Shipbuilding Industry Company, is an unusually *gung ho* example of the new breed of Chinese boss who has been unleashed by reform and has more power to hire-and-fire in the name of efficiency.

In recent weeks, however, the Chinese Government has moved to protect people such as Mr Wang by mounting a campaign to safeguard the control factor which managers have been given at the expense of Communist Party officials.

The campaign follows a series of mishaps referred to colloquially as reformers being "shot off their horses," instead of sitting high in the saddle, as planned by Peking. The resistence to reform has come from local party officials who are piqued by their own loss of power, and by those who have been bruised by (or are envious of) the factory directors.

For instance, the "People's Daily" told of the case of a bus company manager who was summarily dismissed, although he had led a formerly ailing company to a profit of 1.64bn yuan (US$450,000) in his first year at the helm.

The paper said he was removed because he brought a Western-style suit with public funds, and made some other minor mistakes.

Wang Yezhen, 50, does not yet have the power he needs to cull the staff, but he is hopeful. He says he gets on famously with the Communist Party secretary with whom he shares power at the shipyard, though he has several factory director friends who are having difficulties with their party secretary.

Last year, the company built six ships, two bulk carriers, two all-purpose carriers, and two tugs, and is scheduled to complete five vessels this year. Mr Wang says the company has more work than it can handle.

But he believes the yard would be better served by its workforce if the number of employees was reduced by half from the present total of 6,400, and those remaining were paid twice as much in an attempt to encourage a better performance from them.

"For example, we have 2,000 women workers. I think it is better for them to go back to their home and do the housework," he says. "The only thing we can do with the old fat ladies is put them at the front gate."

As more Chinese factories are mechanised, more Chinese men are likely to agree with Mr Wang about the place of women. China already has a large number of young people who are officially "waiting for work"—read "unemployed"—and when the crunch comes with ongoing agricultural reform, reducing jobs in the fields, diplomats say, women will be the first to suffer.

The shipbuilding yard has a tough system of punishing what are considered to be errant workers. On the other hand, Mr Wang is disappointed that Government taxes introduced to curb employee bonuses have made it difficult for factories to reward generously the more productive.

If bonuses paid to a worker over a year are no more than four months wages, the yard does not have to pay the tax. If the bonus amounts to five months' wages, there is a 30 per cent tax, which rises to 100 per cent if the bonus equals six months wages, and to 300 per cent for more than six months.

Another company showing a flexible approach to taxation said that it had found a way round the bonus problem by providing its workers with a package with inbuilt bonuses. It has informed the government that it has paid no bonuses so far this year.

Peking imposed the taxes in a bid to slow what it thought was an excessive growth in bonus payments that was creating gulfs in salaries and putting too much cash in a consumer market already awash with funds. Mr Wang bluntly describes the tax as a "very bad idea."

He is also annoyed that from *this year the company will have* to hand 70 per cent of its profit to the state, up from 50 per cent last year, when the yard made 17.11m yuan.

"It is incredible," he says. "We don't have enough money to give bonuses, and build efficiency. We say that it is kicking the hen that lays the eggs."

Robert Thomson

STEEL INDUSTRY

Steady upgrading of plant

TIANJIN'S No 3 Steel Works is one of a dozen scattered plants which make up the city's ramshackle steel industry. Half of these are hot-rolling mills, like the No 3 plant, while one produces steel plate and the rest are cold-rolling mills.

The No 3 plant's claim to distinction is that it has bought a $2.1m second-hand 35-ton-capacity electric furnace. This new British equipment, to come from the Birmingham firm of Dudley, will be the first in Tianjin — and among the first anywhere in China.

This furnace will enable the plant to process scrap, produce alloy steel and turn out a better-quality product overall. In a three-cornered deal it has bought the furnace through the Tianjin Economic Development Area, which has access to foreign exchange, and will repay it with steel. The British engineers installing it are currently on vacation and will return in October.

The antiquity of Tianjin's steel mills is a fair-sized handicap to the city's industry. It has nothing like Shanghai's brand new Baoshan integrated steel complex, imported mainly from Japan, as Deputy Mayor Li Lanqing points out.

The No 3 Steel Works produces half a million tons of construction steel annually, but the process is neither economical nor safe. In its latest workshop, where equipment is copied from that of the 1960s, the men jump across the molten steel. Reheating steel for rolling, as it necessary at the No. 3 works, wastes already rationed power.

The plant has been upgraded steadily since 1978, with an annual 20 per cent increase in output. It sells its products (shaped steel and steel wire) all over China. The management plans more expansion in the current Five-Year Plan and is discussing a steel wire packing machine with West German suppliers. Last year it exported around 1,000 tons of its output and hopes to double that figure this year.

Renovation is an expensive process. The total cost, foreign and domestic, of the electric furnace is Yuan 60m. This compares with a Government grant for repair and renovation last year of Yuan 6m. The management admitted they had not thought of raising money by selling shares, as some enterprises have now begun to do.

Surprisingly, the plant buys around a quarter of its crude steel abroad, mainly from Japan but also from Britain, West Germany, Norway and Brazil. Foreign exchange for this is provided by the state in traditional Chinese communist style. As in many other elderly Tianjin plants, Deng Xiaoping's economic reform in which responsibility is given to *managers, instead of bureau*crats, seems barely to have penetrated here.

C. M.

CHEMICAL INDUSTRY

Facelift for soda ash works

TIANJIN BOASTS one of the oldest factories in China. For centuries the city panned salt from its marshy foreshores along the Bohai Gulf. Its commercial life was built on sales of this commodity, shipping it far and wide *through the Grand Canal* system on which the city stands.

In 1914 a modernising Chinese innovator from Hunan province, Fan Xudong, who had studied in Japan, began to build what is now the Tianjin Soda Ash Plant. It is typical of much of the ancient industry on which Tianjin still depends.

Today, despite its age, it is still an important plant. With 10,000 workers, it produces over 600,000 tons of assorted chemicals, mainly soda ash. Since the communists came in 1949, it has been a useful exporter. Last year, out of a production value of Yuan 147m, sales abroad were worth $10m.

Yet its antiquity means that renovation is vital. Last year's production increase was only 3 per cent, and with a planned rise in output to Yuan 150m, it will fall to just above 2 per cent.

"One of our biggest problems is shortage of capital," says Cai Chaoqun, the director. "The plant can't get more capital from the state, *because it's poor too, and* we haven't enough money both for extension projects and to run the plant."

Inflation last year hit the factory. The economic reform programme meant that raw material suppliers—of salt, for instance, or dyes—were allowed more freedom in pricing. The result was that the Soda Ash Plant's raw materials costs went up by 10 per cent while the prices it can charge for products were still tightly controlled.

Under the reform, Peking last year allowed it to keep $500,000 out of its foreign exchange earnings, says Cai. *This small sum* went on vehicles, metres and instruments.

Under the new five-year plan beginning this year, it will receive a $5m foreign currency loan as well.

Much-needed renovation has just begun. Basically, the plant is equipped with pre-1970 machinery, some dating back to the 1930s and 1940s. Recent purchases include a packing machine from West Germany and a furnace and dryer from Japan.

"We discussed the dryer with a British company but at the time the price was too high," says the director. But, he adds ruefully, "With the rise in the yen, the British one would have been cheaper."

The company is now engaged in talks with Japanese and US companies on the purchase of a $500,000 computer.

C. M.

Growth in foreign investment

Bucking the national trend

TIANJIN IS pleased because although it signed only 19 joint venture contracts with foreign partners in the first half of 1986, compared with twice that in the same months of 1985, the value was $108m, compared with only $75m. This is against the national trend, in which overall investment is down from last year.

"What is more," says Zhuang Yikai, of Tianjin's Commission for Foreign Economic Relations and Trade, "we have signed more industrial than service projects—of the 19, a dozen are production ventures."

Still better, the total export potential is well above this time last year, since 11 involve overseas sales and seven are 100 per cent export projects. Ten of the 19 are with Hong Kong, five with Japan, three with the US and one with Singapore.

The city is also patting itself on the back because by the end of June this year the 64 projects already in production had shown a credit balance in the Bank of China totalling $11m, of which $1.4m was profit. Here again, Tianjin is bucking the national trend, where foreign exchange shortages have crippled some ventures' activities.

"In Tianjin from the beginning we've had a policy of approving only projects which could be self-supporting in foreign currency," says Zhuang. "If a venture can't do that, we won't consider it. China is a poor country, and exports are low. We can't raise export prices because the quality is not good enough. So it's very hard for the Central Government to earn the foreign exchange to support joint ventures."

One possibility is to share the foreign exchange around between them, according to Zhu Wenju, Vice Chairman and President of the Tianjin International Trust and Investment Corporation.

Deputy Mayor Li Lanqing: in charge of economic affairs

"Some of our joint ventures make 80-100 per cent of their sales in exports. We could use their foreign exchange to help out the others," he adds.

By the end of June this year Tianjin had signed 164 joint venture agreements, totalling $566m in value. Of this amount, $275m will be contributed by the foreign side. Hong Kong is the leading partner with 76 projects, worth $263m; Japan the next in number, though not in value at 41 projects worth $50m; and the US third in number but second in value at 25 projects worth $136m.

Of the total number of joint ventures, 102 are in industry of some kind and the rest are service enterprises.

Ventures already functioning include the Remy Martin wine plant, the Wella cosmetics alliance with a local factory, the Otis elevator project whose trial lift shafts tower over Tianjin, and several hotels, taxi companies and eating places. The Hongkong Restaurant, packed every night with construction workers from the British territory, is said to be turning over $9,000 a day. Foreign investment for these 164 projects is $77m, some 42 per cent of the total.

"The industrial projects are working well," comments Zhuang. "Sales have increased quickly and now total about 71 per cent of all joint venture revenues. The profit figure is running at about 23 per cent of sales, compared with service joint ventures where the average profit is only 9 per cent. Only one joint venture is losing money in Tianjin."

Future plans include a possible joint venture with Britain's Davy Corporation for a $240m copper smelter, to use imported copper. Factories should be able to buy raw materials abroad, Zhuang points out, since it is not always possible to buy them locally.

Zhuang is aware that some foreigners have complaints. "They can't bring their families, there's no place for recreation and there's no school for overseas pupils," he says. "We've signed a joint venture for apartments, to be finished by the end of the year. We'd like to get land where foreigners could build their own, so that they could have what they wanted.

"There's no reason why foreigners shouldn't be able to receive TV programmes by satellite from abroad — that's only a question of changing the law and we're discussing that with Peking at the moment."

These proposals do not solve the management problems that afflict joint ventures. The Japanese oil project in the Bohai with China is suffering badly from such difficulties. Local tax authorities are also reportedly making it near-impossible for some companies to make a profit. But these problems are universal in China. Tianjin appears to score in the speed and flexibility with which it will set a venture up.

"After all," says Zhuang, "we have really only had three years' experience."

Tianjin is easily the best place in China for a joint venture, comments British businessman Jonathan Reuvid, chairman of Terry of Redditch. "Tianjin has so much autonomy—it is allowed to approve production joint ventures of up to $30m in value, and service joint ventures of any amount."

On top of that, it has young, energetic people running the foreign trade and investment organisations. Terry, a small Midlands engineering company, has two joint ventures about to start in the city, one making hose clamps and the other providing management services and quality control.

In Tianjin itself the corporate income tax on joint ventures has been cut to 26.4 per cent, from the usual 30 per cent. But the new Tianjin Economic Development Area (TEDA) near the port of Xingang has bettered that with a rate of 15 per cent. TEDA, with its wide open spaces, new infrastructure and proximity to transport is a promising manufacturing site.

Winning approval for joint ventures—the usual bugbear for foreign investors — is now speeding up. "We're planning improvements," says Mrs Song Shuzhen, vice chairman of the Tianjin branch of the China Council for the Promotion of International Trade.

"We propose a 15-day limit on waiting for approval," adds Zhu Wenju, president of the Tianjin International Trust and Investment Corporation. "After that, silence should give consent."

Colina MacDougall

Faster routes for investors

"THERE ARE seven or eight people in Tianjin who can get things done for you," says a Western businessman. "One is Zhang Zhaoruo, deputy secretary of Tianjin's Municipal Government and director of the city's Commission of Foreign Economic Relations and Trade. Another is 32-year-old Zhang Wei, president of the Tianjin Economic Development Area (TEDA). A third is Mrs Song Shuzhen, vice-chairman of the Tianjin branch of the China Council for the Promotion of International Trade."

Tianjin is making a strong bid for foreign investment. These and other officials appear to have been given the authority to push foreign proposals through the tortuous bureaucracy. At the same time, the city has set up a number of organisations, the so-called "foreign windows," designed to deal with foreign businessmen.

First of these is the municipality's own Commission of Foreign Economic Relations and Trade, the political body whose fiat is needed for any deal. Influential Zhang Zhaoruo (senior in the party to Mayor Li Ruihuan) is backed by Deputy Director Zhang Yikai who speaks English and has a pre-1949 commercial background.

Next is probably TEDA, which administers the economic development area in Tanggu district, near the port of Xingang. The youthful president, Zhang Wei, was summoned from Peking especially to run the organisation. TEDA, a 3 sq km corner of a 33 sq km site, is a greenfield area specifically designated as an industrial estate.

"TEDA will only take joint ventures in advanced technology, unlike the Special Economic Zones in south China," says bubbly director Zhang. "We give special preferences to foreign investors, such as lower tax. Joint ventures only pay 15 per cent, compared to 26.4 per cent in Tianjin itself and 30 per cent elsewhere. And there'll be no remittance tax on profits—even in Tianjin they'll have to pay 10 per cent."

Conditions in TEDA are about the same as in Shenzhen and Xiamen, in the south, except that there will be no service joint ventures. Projects up to $30m can be approved locally —"and we can say 'yes' or 'no' to a proposal right away," says Zhang.

TEDA has other advantages. Unlike the southern Special Economic Zones (SEZs,) it is located beside a city of 8m people with a huge hinterland which provides a market and industrial skills. It has been well-endowed by the Central Government with funds to provide infrastructure.

So far, TEDA has signed 35 contracts, of which all but two co-operation deals are joint ventures. By the end of the year, says Zhang, 20 will be in production. Most of these are quite small, making pharmaceuticals, processing foodstuffs or assembling cassettes. The largest so far is the red-and-white cycle factory, a joint venture between a Danish company and Tianjin's elderly Flying Pigeon bicycle works.

Problems with TEDA for westerners include "the flatted factory" concept, common in Hongkong, but unknown in Europe, where prices are £1.50 a sq ft. "You can get land cheaper than that in Tianjin," says one British businessman. Zhang himself believes that TEDA will need more financial institutions than just the Bank of China and hopes for foreign bank branches. He also plans to improve the zone management with UN aid and foreign techniques.

Another "foreign window" is the Tianjin International Trust and Investment Corporation. This enterprise, with registered capital of Yuan 600m, was set up to bring in foreign capital and equipment, and to invest as a Chinese partner in joint ventures. It is now involved in 19 of these, including the Bohai Hotel and associated villas, a venture with Japan, Tanggu district, near the port and TEDA.

In contrast, the Tianjin branch of the CCPIT has a big trade and liaison role. It is currently participating in a joint venture to build a $20m exhibition hall plus apartments with the British group, ICE, but trade promotion is the core of its work.

In addition, it will find partners for foreign companies, and has recently opened offices for consulting and legal services.

Besides the re-organisations there are half a dozen others who are listed in the adjoining table. Most of them produce illustrated handbooks and pamphlets on their activities in English. Tianjin is learning fast about public relations — a good omen for realistic business prospects.

C. M.

PROFILE: TIANJIN LIMING COSMETICS

Joint venture plans to triple investment

"WE CAME here to break into the China market," says Steven Lang Sung, American-Chinese managing director of Tianjin Liming Cosmetics. "Last year we had 1.5 per cent of China's domestic cosmetics sales, our exports keep our foreign exchange accounts balanced, and we now plan to triple our investment on our move to a new plant in the Tianjin Economic Development Area."

TLC is a $1.2m 50-50 joint equity venture between Wella of West Germany and the Tianjin No 1 Household Chemicals plant. They make mainly hair-care products such as shampoo and home perms, plus a Chinese face cream—Danzy—which they reformulated and repackaged.

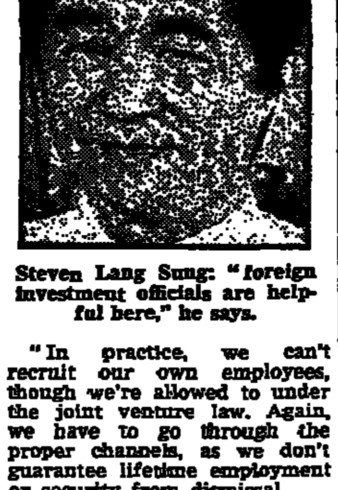
The factory also makes different ranges of products for Japan, Hongkong and the domestic market. The joint venture agreement was signed in April 1981, and production and export began in March 1983.

The Tianjin partner provided the site, a cramped five-floor building adjoining its own factory down a city side street. With passages and landings piled high with cartons, the company will be glad to move to its new location—"that will be five times the size," says Mr Sung.

"We'll be better off there with more electric power, more modern wiring, better sewage and a new telephone system," he adds.

"We'll only have one group to report to—"the TEDA administration is all under one head. Although the joint venture law guarantees independence, you can't get out of the system. You have to put every request through the proper channels, and that means dealing with dozens of different departments.

"Many things are rationed—water, petrol, rice, electric power. We only get power six days a week." This makes problems, since the plastic bottle-making equipment must operate continuously.



Steven Lang Sung: "foreign investment officials are helpful here," he says.

"In practice, we can't recruit our own employees, though we're allowed to under the joint venture law. Again, we have to go through the proper channels, as we don't guarantee lifetime employment or security from dismissal.

"We import 95 per cent of our raw materials," says Mr Sung. "We could buy in China but the quality's uncertain, supplies unreliable and prices are higher.

The company's planned turnover for 1986 is Yuan 10m, of which about half will be export-related. It has been in profit since it began production in 1983.

"The most important factor is our foreign exchange balance," says Steven Sung. "Then we don't have to depend on the Government." Output is planned to double after the move to TEDA.

"Based on my experience, the investment environment in Tianjin isn't bad. From Mayor Li down, the foreign investment officials are all helpful. For instance, when our raw materials were paralysed in the port delays last year, they got them helicoptered to us."

C. M.

China's second largest port

TIANJIN is China's second largest port, after Shanghai, and the biggest in the north. It is the gateway to the land-locked provinces of the north-west, and to some extent to the north-east also. Last year China's ports were notorious for their delays, because of soaring imports, and Tianjin's Xingang docks were no exception.

Managers in Tianjin city complain that raw materials were held up as much as 12 weeks, though port spokesman Cheng Wenlin would only admit to ships waiting an average of seven days. There were delays of over one month, he says, but that was in 1984.

The problem has eased, partly because the import growth rate has slowed. The port management's efforts to rationalise finances, transport, staff and labour problems have also helped, says Cheng. The first breakthrough came when, in 1984, the port was transferred from Central Government control to the city. It is now almost autonomous.

Tianjin stands on the Hai river, a polluted watercourse which used to flow out through marshland to the shallow Bohai Gulf. Now the river is blocked to prevent salt contaminating the city's water supply. *Docks first* built at Xingang, in the mid-1940s, at the mouth of the river, have been steadily expanded.

Today, the harbour comprises two areas, one with two passenger terminals and five general cargo berths within the mouth of the river, and 32 in a mainly reclaimed area on *the sea. These include two* more passenger terminals, a salt export berth, two grain import berths and four container terminals.

Last year the port's total throughout was 18m tons of cargo, planned to rise to 20m this year. Container traffic appears low, probably because truck and road facilities are still poor.

The port authority is now permitted to keep its profits and use them for development and construction. This has already borne fruit, Cheng claims, reducing delays and speeding expansion.

"We've also raised the price of shorthaul transport by rail," he says. "That's persuaded some companies to move goods by truck, more practical now that about half the new highway to Tianjin is finished.

"We've also stepped up penalties on cargo lying here. We double tariffs after 7 days and at the end of a month we *confiscate the cargo.*"

The port has appointed younger men to top positions, and established new pay systems for the dockers. These failed at first as, on the switch from fixed to piece rates, the dockers were initially making more than the managers. Now the port only pays high bonuses for handling unpopular cargoes like cement.

Big developments are planned over the next five years. One is the "dolphin project" which will provide temporary moorings for 20,000-30,000 ton ships. Goods will be transferred from these *by barge to the river port,* where new berths for 5,000-tonners will be built. In the longer term, three new container and more special cargo berths will be constructed.

Tianjin port's real constraint is ship size. The largest vessels it can accommodate are 50,000 tons, and that is only at high tide. The shallowness of the Bohai has forced China to look elsewhere for deep water ports such as at Beilun, near Ningpo, in the south, or Shijiusuo in Shandong. But Tianjin will still have a role in handling trade for the north.

Colina MacDougall

Key role in foreign trade

Heading for a record year

AS A long-standing industrial centre, Tianjin plays an important role in China's foreign trade. Last year the city's exports totalled $1.13bn, a 30 per cent increase on 1978, the year before Deng Xiaoping launched the "open door" policy. It represented over 4 per cent of China's total exports at a time when every dollar counted because of Peking's hefty trade deficit.

This year exports should be higher. "I'm not allowed to say what the planned total is," says Ma Zuqi of the city's Foreign Trade Bureau. "We've already reached over 52 per cent of it in the first half year, and that's 10.2 per cent over the same months in 1985."

The city's key export commodities — Ma classified these as anything earning over $5m — in 1978 totalled only 30. Now there are 50. They include garments, textiles, paper, chemicals, foodstuffs, sports goods and arts and crafts. Chinese prize-winners for quality include the justly famous Tianjin (Tientsin) carpets. It is not an important oil and coal port *despite* the petroleum and coal resources in its hinterland.

Ma points to the new flexibility in industry and import-export under the economic reform policies. "Now we have compensation trade and processing trade," he adds. "Last year we made $15m on these."

The city's main export partners are Japan, with nearly 17 per cent of the total, followed by Hong Kong and the US. Tianjin now has offices in all three, as well as in Australia, West Germany and Belgium. Almost every province in north China now has an office in Tianjin to handle their own exports, as they are encouraged to do under the reform policy.

"But they do not affect our work," says Ma.

The import story is different. Tianjin's own imports —as distinct from those made by Peking through Tianjin— *amount to only* $200m or $300m a year. In this trade, Japan, Hong Kong, West Germany and the US lead, in that order, with Britain at number seven, below East Germany and Spain.

Perhaps the city's most startling trade innovation is the Tianjin International Market (TIM). This huge new five-storey construction flanks a square outside the 1910 Roman Catholic Church in a style reminiscent of the piazza in front of London's Westminster Cathedral.

TIM, virtually a consumer goods supermarket, sells large numbers of imported items for Chinese currency to the locals. Prices are high but the shop is packed.

Operated by the Tianjin Economic Development Corporation, TIM makes barter deals with department stores abroad such as Wing On in Hong Kong. It also imports samples for copying. The entrepreneurial spirit may be due to Song Xudong, the manager, who is Cantonese.

The shop includes a floor for exhibitions from abroad and a fast food soft-drinks bar. Mrs Han Hongning, Deputy Manager of TEDC and former medical technician turned businesswoman, says they also import advanced technology and will shortly seek authority to set up a financial institution.

TEDC runs 38 enterprises, of which 20 are joint equity projects with foreigners. More are in the pipeline.

Colina MacDougall

Overseas business visitors' guide

WITH ITS broad streets and handsome early 20th-century architecture, Tianjin has more instant charm than most Chinese cities. Factories abound and pollution is high, but, unlike Peking, the city has an impressive centre with a metropolitan feel.

Hotel rooms are short, but this problem will soon be solved. The Tianjin Hyatt has just opened (prices around US$70 for a modest room in this seven-restaurant hotel), the lakeside Crystal Palace starts up in October, and the less-glamorous Hotel Palace, *next to Food* St, is half-built. The Swallow Garden, a joint venture with Singapore interests, is under construction.

Of the present hotels, the recently renovated Hongkong joint venture, the smallish Astor (also around $70) is comfortable and pleasant. A vast extension behind it, overlooking the Hai river, is half-finished.

Then there are the Chinese-style hotels, at half these prices or less—and payable in Chinese currency. These are the Friendship, where many businessmen live, the Tianjin Guest House (somnolent in a huge park) and the barracks-like Tianjin Grand. The Tianjin No 1 Hotel, opposite the Hyatt (and its joint-venture partner), is down-market but also conveniently located downtown.

There are several taxi companies. The Hyatt and the Astor have their own. Other hotels will order a taxi for you, but if you are marooned in the Tianjin Guest House the process takes some time. Taxis are expensive but plentiful.

In Chinese-style hotels, long-distance telephone calls must be booked on a form through the floor attendant. At the Astor you can dial from your room. On some lines it is possible to direct-dial Hongkong and Japan, and this service will soon be extended. All the hotels have telex.*

Communications are good. Tianjin is about two hours from Peking by train (several each day) and on the main line to the north-east. There are four to five flights to Hongkong each week and daily flights to Canton. The city hopes to extend these services but are prevented at the *moment because Tianjin* is the emergency airport for Peking.

There are more than 100 restaurants in the new Food St, brain child of Mayor Li Ruihuan. In a vast arcade food from every part of China is available. Tianjin dumplings, "gou bu li" ("The dogs won't touch them!") are one speciality.

Kiessling's, the former Austrian cafe in the old German concession, is recommended for its atmosphere as much as its food. Hundreds of young Chinese tuck into egg mayonnaise rolls and beer in its Art Deco setting.

Leisure occupations are few. A golf course near the airport is nearly finished. Decrepit tennis courts and a swimming pool exist at the old Tianjin Country Club, now the Friendship Club. Locals windsurf on the Hai river with rented boards (Yuan 1.50 an hour), but foreigners may not like the polluted water.

Tianjin is good for Chinese amusements such as Peking opera or acrobats, and there is the occasional Western concert. Sightseeing "musts" include the beautiful Ming Mosque, the recently restored Confucian temple, the Nankai No 2 Middle School (Zhou Enlai's old school) and the Art Gallery —not for the exhibits but the architecture. It is a former French bank.

**Astor Hotel, telex 23266 ASHTL CN; 23268 ASHTL CN; tel 31.1112.*

C. M.

The Municipal People's Congress offices, formerly the British Club in Tianjin

'Open door' policy has its problems

WHILE CHINA'S Foreign Ministry confidently announced three months ago that a bitter dispute between Chinese and foreign students at Tianjin University was "over," distrust lingers between the two groups and diplomats are still concerned that the visitors will be punished.

The unfortunate series of events began on May 24, when a group of Chinese students, irritated by the noise of a party thrown by foreign students to celebrate African National Day, demanded that the volume be lowered.

Exactly what happened next depends on which side is to be believed. The Chinese say some of their number were assaulted and they retaliated, while the foreigners, mostly Africans, say the Chinese, without provocation, pelted the hall with stones and bottles.

About 18 of the visiting students were later taken by police to a Tianjin hotel, where they were supposedly kept for their safety. The students, fearing for their welfare, left Tianjin for Peking, where they lodged protests with their respective embassies.

Most of the students returned to Tianjin within a few weeks, but several have stayed in Peking, and sought guarantees that they would be adequately protected and that they would not be punished on their return to the university.

The incident highlights the difficulty some Chinese have had in coming to terms with the advent of foreigners through the "open door," and the problems foreigners have had in coming to terms with China and the often austere lifestyle here.

They are problems not confined to Tianjin. A western diplomat says that Peking is doing what it can to soften the impact of foreigners and to educate the masses on how to handle them, but some problems are inevitable.

For whatever reason, the Chinese seem to have more difficulty dealing with Africans than with, say, Americans or even Japanese, despite the bitterness of a brutal war between the two nations only four decades ago.

China considers itself to be at the forefront of the third world, and has been generous in granting scholarships to students from Africa—of the 3,500 foreign students in China, about 1,600 are Africans—but those conditions have only made the Tianjin incident and its aftermath even more embarrassing.

An African diplomat explains that he and several other African diplomats fear that the students from their countries involved in the fracas will be eventually failed by the university, no matter how good their examination results. He also criticises the Chinese handling of the situation, saying that the Government is still to provide full details about the happenings of May 24.

The coming of the summer vacation has taken some of the heat out of the conflict, but the ingredients for further conflict remain, the diplomat says.

A leader of the African student group said the incident was just one of many examples of alleged Chinese prejudice against blacks. He told of an incident in a bus when several Chinese were discussing the colour of his skin and that of a friend: "They were saying that I was not really a black devil because his skin was darker than mine."

Living conditions at Chinese universities often work against harmony. Chinese students are known to be envious of the allowances and better accommodation received by the visitors, yet the visitors can spend up to seven or eight years in China and often become frustrated by their surroundings.

The African diplomat believes that as the Chinese become more experienced with foreigners, there should be less tension. He mainly blames "lack of education" for problems which Africans sometimes face in Chinese streets. Chinese ethnocentricity is a lesser cause, he believes.

Robert Thomson

Boeing bid wins support from British contractors

BY DAVID BUCHAN

THREE leading UK defence contractors – Plessey, Ferranti and Racal – yesterday made a highly public show of their interest in participating in any successful bid by Boeing of the US to supply Britain with an airborne early warning (AEW) system.

At a joint press conference in London, the four companies announced "agreements" whereby the three UK contractors would compete for much of the offset work that would be placed in Britain by Boeing if it wins the AEW order.

Boeing is offering its E-3 Awacs (airborne warning and control system) aircraft, already in service in Europe and the US, to displace GEC of the UK on its troubled Nimrod programme, which has cost £900m so far. Like Lockheed and Grumman, its foreign rivals for the British contract, Boeing has been required by the UK Ministry of Defence (MoD) to offer British industry over five years offset work worth 100 per cent of the value of its proposed sale.

Mr Jerry King, general manager of Boeing's information systems division, also disclosed for the first time that Boeing had submitted to the MoD a variant of its proposed Awacs sale giving the UK a reduction – believed to be around 5 per cent – in the unit cost of each E-3 aircraft, if France were to join Britain in buying the Awacs.

That might be significant, given that Awacs is the most expensive alternative to Nimrod. Mr George Younger, the UK Defence Secretary, may explore the possibility of a joint Anglo-French Awacs purchase when he holds talks with his French opposite number next month.

GEC was last week given a further month, until the end of September, by the MoD to show that it can turn the Nimrod into a system workable to the RAF's satisfaction, and keep the contract against foreign and domestic competition.

With the extension of the Nimrod competition, the offset issue has become a focal point of increasingly heavy lobbying by the US aerospace companies. The "agreements" signed yesterday have little practical effect. They do not guarantee the three British contractors any work even if Boeing wins the prime contract. Mr King emphasised that, to meet price, schedule and quality commitments, Boeing would have to let all subcontract work competitively.

Nor do the "agreements" tie the UK companies' hands if Boeing loses. Indeed, Plessey, Ferranti and Racal all have similar "expression of interest" agreements with Lockheed, another competitor for the AEW contract.

But Boeing is so far the only foreign contender to have persuaded leading British defence contractors to intimate publicly their backing for its bid against all others. In fact, only Plessey, buoyed by its successful escape from a hostile takeover bid by GEC and fresh from its co-operative agreement this month with Westinghouse, supplier of the Awacs radar, was categorical in its exclusive support for Boeing.

Mr Michael Whiteman, Plessey Avionics managing director, said that only the Boeing Awacs met "all the necessary criteria" for an effective British AEW system. Mr Philip Burton, of Ferranti Computer Systems, confined himself to pointing out that the 11 Nimrod airframes on which GEC is working might be better used to upgrade maritime reconnaissance rather than in airborne early warning.

However, all three British companies are clearly enticed by the fact that Boeing is offering 90 per cent of its Awacs contract offset in its enormous civil and military activities outside the AEW area. They have clearly calculated that the possibility of increasing their involvement in Boeing activities was worth a show of public support for the Seattle-based aerospace company.

George Graham on a survey of a $90bn-a-day trade in foreign exchange

London currency market second to none

LONDON's foreign exchange dealers have always thought their market was the best in the world. Now they have confirmation that it is at least the biggest.

A Bank of England survey carried out in the first 10 working days of March, shows average daily turnover at about $90bn (£60bn)—nearly double the most recent estimates. This puts London comfortably ahead of its closest rival, New York, which boasts $50bn a day, or Tokyo with $48bn.

A well-established banking community, a time zone that overlaps with both the Far East and North America, and a healthy regulatory environment are among the factors that have given London the lead, to the extent that London broking companies and London-trained dealers are prominent even in the other main centres.

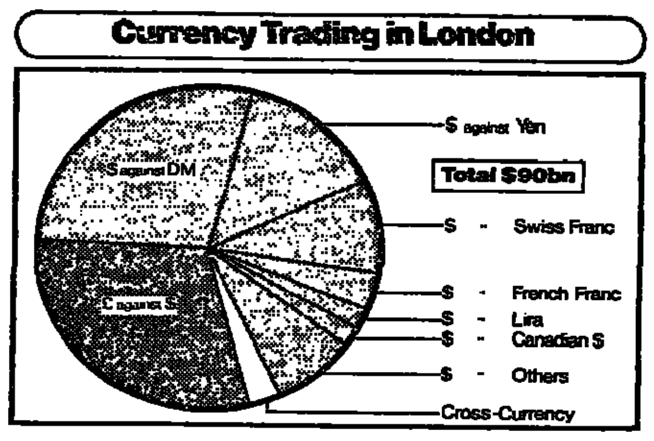
Business has taken off since 1979, when the UK's foreign exchange controls were lifted and banks were allowed to trade currencies directly with each other, rather than only through brokers.

The foreign exchange brokers are hardly complaining, however, for if their slice of the cake has diminished, the cake itself has got bigger. The Bank's survey shows that 43 per cent of the market's business was arranged through brokers, a total of $38.7bn.

In New York a parallel survey conducted by the Federal Reserve Bank showed that brokers had increased their turnover in the past three years by 84 per cent to $25.9bn of the $50bn a day traded.

Brokers hold a much stronger share of the market in non-sterling trading and also have a strong position in the forward

Currency Trading in London



market. About 43 per cent of brokers' turnover was in the forward market, compared with the foreign exchange market as a whole where the proportion was 26 per cent.

In addition, London brokers arranged a further $2bn a day of business where both counterparties were based outside the UK.

Out of the $90bn turnover, only 9 per cent was accounted for by transactions carried out directly with customers. Does this mean that the remaining $82bn a day represents pure speculation of the type that finance ministers around the world love to curse?

Not necessarily, says the Bank. A single transaction with a customer may be reflected in a string of other deals in the currency markets, so much more of the total turnover may in fact be sparked off by customers' genuine commercial requirements.

If a customer wants to buy D-Marks from his bank for a date six weeks ahead, the bank would have to do a minimum of four interbank deals to match the value and date precisely.

First, it would sell the customer's sterling on the spot market in return for dollars. Then it would sell the dollars for spot D-Marks. Finally, it would carry out separate swap deals in sterling against the dollar and in dollars against the D-Mark.

"It is like a 10,000 piece jigsaw puzzle. A lot of the interbank business we do is other banks' commercial business which they lay off with us," says Mr Paul Winchester, manager at National Westminster Bank's world money centre.

Many foreign exchange dealers believe that speculation, at least by the banks that take part in the market, is declining. Increasingly volatile exchange rates have encouraged banks to reduce the size of the positions they take in a particula currency, and to keep those positions open for shorter periods. Central banks have also played a role in imposing controls on banks' exposure to foreign exchange risks.

The Bank's survey shows that the bulk of the foreign exchange market is accounted for by sterling/US dollar and dollar/D-Mark business. Sterling took up 30 per cent of total turnover during the survey period, and the D-Mark 28 per cent.

This contrasts with other foreign exchange centres, where dollar/D-Mark business is by far the largest.

The other main currencies were the Japanese yen and the Swiss franc, which together with the dollar, the D-Mark and the pound are generally reckoned to be the five investment currencies. Smaller volumes of business were done in the French franc, the lira and the Canadian dollar, with the Australian and New Zealand dollars, the Dutch guilder and the Scandinavian currencies further behind.

Traditionally, dealing from one currency to another always had to be done via the dollar. The survey shows that direct business not involving the dollar—"cross-currency trading"—represented only about 3 per cent of total turnover. Most of this was between sterling and the D-Mark.

Dealers observe, however, that this cross-currency business is taking off now—helped in part by the weakness of the US dollar over the last year and a half.

A foreign exchange manager at one British clearing bank said: "There is now a tremendous level of activity in the cross markets, with banks trading D-Marks into guilders or Swiss francs into marks."

However, the likelihood of finding a matching buyer or seller in these cross deals is still much smaller than in the traditional dollar-based markets.

Many foreign exchange traders feel that the market has in recent years become more concentrated. The main centres of London, New York and Tokyo are taking a bigger share of the world market, they feel, and the largest banks are becoming increasingly dominant within those centres.

The survey results, however, show that the market in London, at least, remains fairly widely dispersed. Of the 348 banks covered by the survey, 24 each accounted for more than 1 per cent of total gross turnover. Of these, only 10 took more than 2 per cent each.

These top 10 banks had a combined market share of 36 per cent, and the Bank comments that this less than half a dozen banks maintained a comparable presence across all categories of business.

The Bank names no names, but market participants agree that the laurels are fairly evenly split between the leading British and American banks.

Barclays and Midland from the UK along with Citibank and Chemical Bank from the US are frequently named as the most active players in the foreign exchange market. Other banks such as NatWest or Lloyds in London or Chase Manhattan, Bank of America and Morgan Guaranty from the US also have a significant presence, partly by virtue of size.

Recovery in North Sea oil output

By Lucy Kellaway

PRODUCTION of North Sea oil in July bounced back strongly from a depressed June figure to a daily average of 2.8m barrels.

According to figures by stockbrokers, Wood Mackenzie, UK oil production was about 400,000 barrels a day higher in July than in June, when output was at its lowest since April 1983.

June production figures were depressed by a series of work maintenance programmes which caused output to be restrained from some of the largest fields including Forties, Brent, Beryl, Ninian and Piper.

Most of the repair work was finished by the beginning of July and output for the month was at its highest since March. Oil companies try to carry out most of their maintenance in June in order to defer payment of petroleum revenue tax (PRT). Because June is the final month in the PRT chargeable period, tax payable on June production is due in August, compared to tax on July production which is not due until the following February.

Oil companies may recoup up to £1bn from the Government in September after having over-provided for PRT in the first six months of the year.

The Treasury confirmed on Monday that it would be paying a rebate, and stockbroker James Capel said yesterday that this was likely to be about £950m.

The size of the rebate is evidence of the damage that the fall in the oil price over the last six months has done to oil companies' revenues.

The tax is levied over two six-month periods, with a small amount paid each month and the balance paid at the end of the period.

● Hamilton Brothers Oil and Gas yesterday announced details of an encouraging gas find in the North Sea in Ravenspurn North. The sixth appraisal well drilled by the company flowed at a rate of 64m cubic feet of gas a day. The results suggests that the field may be as large as Ravenspurn South, operated by BP, and earlier estimates of reserves of $1,500bn cu ft may be too low.

Fear of union ballots split recedes

BY PHILIP BASSETT, LABOUR EDITOR

PROSPECTS of a damaging split between the Labour Party and the unions on pre-strike balloting receded sharply yesterday when Trades Union Congress (TUC) leaders agreed a formula on the issue which satisfied principal left- and right-wing unions.

The decision, which senior TUC officials regarded as effectively removing balloting as a source of conflict at the annual TUC Congress next month, was welcomed by Labour.

Mr John Prescott, Labour's employment spokesman, described the differences as a "storm in a teacup" and said he very much welcomed "this confirmation of support" for Labour's policy. Labour leaders regard the balloting issue as vital to the party's general election chances.

Foundations of yesterday's decision were laid in private telephone conversations on Monday evening between Mr Ron Todd and Mr Alan Tuffin, general secretaries of the TGWU transport and UCW postal unions.

Much of the difficulty over the issue stemmed from a Congress resolution from the UCW calling for ballots before all industrial action, something beyond the Labour, TUC agreement on balloting – which led the TGWU to delete wholly that section, providing for no ballots at all.

UCW leaders now recognise that this could well have been a drafting error on their part, and the TGWU accepts this may have been compounded by an over-hasty amendment, instead of one changing "industrial action" to "strike action" to bring the motion in line with the Labour-TUC document.

After these contacts, Mr Norman Willis, TUC general secretary, proposed at a meeting yesterday a new form of words on the whole raft of motions and amendments on employment law.

The crucial section on balloting now says that the TUC Congress calls for "a right to strike, and to have a secret ballot in such situations, and to take other industrial action, both in dispute with the employer and in solidarity with other workers."

TUC sees benefits in profit-sharing scheme

BY OUR LABOUR EDITOR

THE TRADES Union Congress (TUC) is today expected to endorse a surprisingly warm initial response to the Government's proposals on profit-related pay which accepts the advantages the scheme offers to employees.

The TUC's positive reception of the Government's Green Paper (consultative paper) on the issue, which is likely to be approved by a meeting today of the full TUC general council, will be a considerable boost to Treasury hopes of the idea securing widespread acceptance, especially from workers and union members.

A confidential TUC document before today's meeting rejects as "specious and offensive" the idea that some pay demands would, if granted, lead to lower employment. It rejects the idea that profit-related pay (PRP) will enhance employee involvement, arguing instead that this will be increased by full workers' participation in decision-making and collective bargaining.

Although it says that "many of the Government's arguments in favour of PRP are flawed," it acknowledges the proposals as important. It says that "if profit-sharing was widely adopted, this would result in a significant transfer of purchasing power to working people."

Because this in turn would boost aggregate demand by shifting resources from savings to consumption, the TUC says that, coupled with the tax relief available from the Government, "it is possible to view profit-sharing as reflation by another means."

Tory Party takes legal action over attack on Lord Stockton

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE CONSERVATIVE Party yesterday obtained a High Court injunction preventing the further distribution of a Tory student magazine which claims that the Earl of Stockton – the former prime minister Mr Harold Macmillan – was a "war criminal."

The move was made by lawyers representing Mr Norman Tebbit, the Conservative party chairman, who said the article represented "a disgraceful attack on a distinguished former prime minister."

The accusations in New Agenda, published by the Federation of Conservative Students (FCS), have caused deep embarrassment within the party and for Mr Tebbit. The party chairman, who is on holiday in France, moved quickly to prevent the magazine from being more widely distributed and will conduct an inquiry to ascertain how the article came to be published under the imprint of Conservative Central Office.

The article, based on an interview with Count Nikolai Tolstoy, the historian, alleges that Mr Macmillan was responsible in 1945 for ordering back to the Soviet Union 40,000 freed Cossack prisoners of war to face certain death. The accusations are not new but the fact that they have resurfaced in a Tory magazine has provoked anger and disbelief at Central Office.

The high court action followed a statement from Mr Harry Phibbs, the editor of New Agenda, saying that he would continue to distribute the magazine despite the request from Central Office that all copies should be withdrawn.

Mr Phibbs, who defended the decision to publish the accusations, had said he thought an appropriate compromise would be to remove the Tory Party logo from the magazine. But Central Office made immediate representations to a High Court judge and won the injunction.

A spokesman said: "We had to take this action because Mr Phibbs refused our request. We are not trying to attack Mr Phibbs or the FCS but trying to protect our position."

Despite the High Court decision, Mr Phibbs, who is well-known for his right-wing views and has regularly incurred the anger of senior Conservatives, remained defiant. He said he had anticipated court action by Central Office and had rushed out more than 2,000 copies before the judgment was known. He would, however, cancel a further 1,000 copies carrying the Tory logo which had yet to be printed.

Mr Phibbs added: "As far as I am concerned. New Agenda is no longer the property of Tory Central Office. It is an independent publication which does not receive party money but is funded by subscriptions, advertisements and donations. I will be taking legal advice and intend to battle against this all the way."

Last night the Federation of Conservative Students moved to distance itself from Mr Phibbs's statement. Mr John Bercow, chairman of the FCS, said that approval for the article had not been sought or given. He said: "Mr Phibbs should toe the party line. He cannot claim to have published the article with FCS approval. It was not given, and he knows it."

Freeports 'put under burden'

By Anthony Moreton

AN ORGANISATION that brought much pressure on the Government to introduce freeports into the UK, today expresses its disillusionment with the way they have been operated.

It said they had been made to labour "under the same burden of regulation that depresses business creation and job growth in the rest of the UK."

The Adam Smith Institute, a right-wing research body, said it was convinced that freeports could succeed in Britain "if they could compete equally with those in other parts of the world."

Customs and Excise are criticised, however, for contriving to thwart their operation. They accuse the department of rigidly interpreting the rules instead of co-operating with the operators.

The report comes at a time when the viability of at least three of the six British freeports set up in 1984, is in doubt.

Belfast, Cardiff and Prestwick airport have all had great difficulty in attracting tenants. At Cardiff no work at all beyond marketing has been done on the project and no further money is to be spent by the operator until a prospective customer emerges.

Both Southampton and Liverpool freeports are in operation and working on a small scale. The sixth freeport, at Birmingham airport, has just finished lengthy infrastructure work and is about to market its services.

Freeports are areas where goods may be imported, processed or manufactured and exported without having to pay Customs dues and some other national taxes.

SDP unveils plan to raise standards of health care

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

A £500m-a-year fund to help tackle inequalities in health care and to finance services for the mentally ill and handicapped is being proposed by the Social Democratic Party (SDP) as part of a plan for improving the National Health Service (NHS).

The fund, which would be available to district health authorities, local authorities and voluntary organisations, would help to finance innovatory health care projects. Its cost would be partly met by anticipated savings in the NHS drugs bill.

In a paper on Britain's health services, to be debated at the SDP conference next month, the party says that the NHS – "once a shining symbol of post-war optimism" – is now facing a crisis which demands a fundamental rethink of the way in which it is run.

The SDP says that health standards have stagnated, with the number of people dying under the age of 75 higher than in many comparable countries. It claims that Britain has one of the highest rates of infant mortality in Europe and says that the chances of serious illness and premature death depend far more than in other countries on a person's social class and the region in which they live.

Inequalities in the NHS have grown worse in recent years, despite advances in new drugs and medical technology. The Tories' economic policies, it suggests, have made Britain a sicker nation and pressures on the health services are still mounting.

The SDP calls for the redistribution of available resources in a fairer and more effective way, targeting in favour of the most deprived and focusing on areas of highest social concern. The NHS had to change emphasis from the treatment of disease to the promotion of good health.

The SDP says, however, that it does not intend to make any promises about levels of funding for the health service, which it cannot be sure of delivering. As and when the party's strategy for promoting economic growth bears fruit, the welfare services would be the first beneficiaries.

In what the paper calls a patients' charter, the SDP says everyone should have the right to choose their doctor as well as the right for full information about medical services in their area and about their own medical condition.

Patients should also have the maximum possible freedom of choice in selecting the timing of hospital treatment.

Changing and Renewing the Health Services, SDP, 4, Cowley Street, London SW1

Whitbread to link with US wine co-operative

BY LISA WOOD

WHITBREAD North America, a subsidiary of Whitbread, the UK brewing and retailing group, intends to make an agreement with a wine co-operative in California's Napa Valley to produce and market table wines for US restaurants.

The joint agreement comes a few months after Whitbread's $30m acquisition of a 1,100-acre wine estate in Napa County. Whitbread said yesterday that while its own vineyard was a "slow burn" operation, with much of the vineyard only just planted, the fruits of the joint operation would be gathered almost immediately.

No financial details have been given on Whitbread's joint venture with the Napa Valley Co-operative, which represents about 20 per cent of the grape-bearing acreage in the valley.

The project, for which a letter of intent has been announced, is the latest in a trend towards increased foreign investment in one of the US's top wine producing areas. Whitbread is the only British brewer to be actively building its interests there, although some UK brewers have substantial interests in continental European vineyards for both table wines and sherries.

Mr Ken Parr, president of the 52-year-old co-operative, said that under the terms of the agreement its winery would be refurbished and a bottling plant would be added.

Whitbread North America will participate in the selection of grapes as well as in the overall production and marketing of the wines, which will be introduced in July 1987.

Tories told to heed value of 'green' vote

By Andrew Gowers

THE CONSERVATIVE Party faces a struggle to retain the "green," or conservationist vote, and the Government's failure properly to present what it has done for the environment is a dangerous shortcoming, according to a leading member of the Bow Group, a Tory pressure-group.

Writing in a booklet published today by the Party's right-wing Centre for Policy Studies, Mr Tony Paterson, Bow Group research secretary, says:

"The protection of the countryside is Britain's foremost green political issue, just as combating forest damage is West Germany's. It should become a major element of a comprehensive environment package in the next Conservative manifesto."

The Bow Group, traditionally regarded as a right-wing pressure-group, now represents a broad spectrum of Tory opinion. The booklet contains a range of comments on a speech on farming and countryside policy delivered earlier this year by Mr William Waldegrave, the junior environment minister.

Mr Paterson says that the Government's latest countryside initiative – involving the introduction of special conservation grants to be paid in so-called environmentally sensitive areas – may be insufficient to win the rural green vote.

Elsewhere in the document, Mr Waldegrave is attacked by a property developer, Mr Graham Pye of the Pye group, for giving too much emphasis to countryside conservation.

Mr Waldegrave has "failed to recognise the size ... of the problem which faces farming," he writes. The approach which the minister advocates, involving paying farmers to conserve the countryside rather than to produce food, "would not only damage the quality of urban life but also – inevitably – fuel the decline of the rural economy, to the detriment of all who depend on it."

Distant views of William Waldegrave's Oxford speech; £3.50 from Centre for Policy Studies, 8 Wilfred St, London SW1E 6PL

Goodyear buys automated tyre system

By Paul Taylor in New York

GOODYEAR Tire and Rubber, the world's largest tyre manufacturer, disclosed yesterday that it had acquired Engineering Consultancy Service (ECS), a British company and former Dunlop subsidiary, that has developed a computerised system for assembling tyres which Goodyear claimed "could revolutionise the tyre industry."

Terms of the deal, which was completed in January, were not disclosed. Goodyear, based in Akron, Ohio, said ECS, now known as Howdins, had developed an automated rubber compounding and tyre building system which would eliminate the need for the preparation of tyre components.

Goodyear bought ECS from BTR, which acquired the unit when it gained control of Dunlop's non-tyre manufacturing assets last year.

"The acquisition of ECS emphasises Goodyear's determination to remain the technological leader worldwide in the tyre and rubber industry," said Mr Robert Mercer, Goodyear's chairman. "Fully automated tyre production has long been a dream. Now we believe the dream is about to become a reality, and we are on the threshold of an entirely new era in tyre production as well as considerably raising the level of tyre uniformity."

Cassell books business returns to UK control

BY WILLIAM DAWKINS

CASSELL, the 138-year-old British publishing business which has been under US ownership since 1970, announced yesterday that it had returned to UK hands.

The group, which counts Sir Winston Churchill, Robert Graves and Nicholas Monsarrat among its authors, has been the subject of a so-called management buy-in, a takeover staged by outside managers with institutional backing.

Heading the management consortium is Mr Philip Sturrock, who was managing director of Routledge and Kegan Paul until the latter fell prey to Associated Book Publishers in June last year. Since then, Mr Sturrock has looked after unquoted investments for Schroder Ventures and the Prudential Assurance Company, which arranged finance for the Cassell bid with Phillips & Drew Development Capital.

The purchase price was not disclosed, though it is believed to be about £1.5m. If that is so, the consortium is paying much less than the £2.23m put up for Cassell 16 years ago by Macmillan Inc, the US publishing group (no connection with the synonymous British publisher).

Cassell was sold this time by Holt-Saunders, the Eastbourne-based subsidiary of CBS, the US broadcasting and publishing group which bought the then loss-making UK company for an undisclosed sum just four years ago. CBS has been the subject of persistent takeover rumours and is disposing of Cassell – now profitable – because is wants to concentrate its non-North American publishing interests on health sciences, US college books, and medical journals.

● Lawson Mardon, the leading packaging company bought by its manager for £173m last year, yesterday announced a management buy-out of its own. N. Sale & Co, its Luton-based folding carton subsidiary with £1m annual sales and 31 staff, has been sold to its executives.

Sellafield N-plant halted

THE SELLAFIELD nuclear plant in north-west England halted all reprocessing of spent fuel yesterday after a consignment of waste was found to contain higher than permitted level of radiation, Fiona Thomson writes.

The waste was in a sea tank waiting to be discharged into the Irish Sea.

British Nuclear Fuels (BNFL), which operates the state-owned nuclear power station and reprocessing plant, said: "Routine monitoring yesterday morning showed that there were higher than normal levels of low-level radioactive waste in one sea discharge tank."

There had been no escape of the waste BNFL said. "There is no risk to workers or to the environment."

The suspect liquid had been returned to the reprocessing plant and was last night being treated to bring it within the allowed limit for discharge into the sea.

"Had we discharged the liquid, we may have breached new discharge limits set by the Government earlier this year," the company said. "The monitoring showed levels only marginally above the new limits."

All reprocessing has been stopped as a safeguard, BNFL said. "Operations will return to normal in a matter of days."

Company scientists launched an immediate investigation into the incident and the Nuclear Installations Inspectorate was informed.

Reprocessing was last stopped at Sellafield two years ago after an excessive discharge into the sea. A lengthy shutdown cost the company millions of pounds.

□ TRADE UNIONS representing workers at Royal Ordnance, the state-owned arms and munitions manufacturer, have urged the Government to defer by three months the sale to Vickers of the tank factory at Leeds, Yorkshire.

The unions have also registered with the Office of Fair Trading a case for the sale, due to be completed by September 1, to be referred immediately to the Monopolies and Mergers Commission.

The unions say that the sale would create a monopoly in UK main battle tank manufacture and would be contrary to government statements favouring increased competition among defence manufacturers.

□ MR GAVIN LAIRD, general secretary of the Amalgamated Engineering Union (AEU), is to become the first trade union leader to address the annual conference of the Confederation of British Industry.

Mr Laird's appearance at the November conference is likely to attract criticism from left-wingers within the politically divided AEU.

□ AN OVERTIME ban on coal production started by South Wales miners two weeks ago has cost £450,000 in lost output, British Coal said.

The ban is in protest at British Coal's refusal to pay members of the National Union of Mineworkers a £5.50 a week increase awarded to members of the breakaway Union of Democratic Mineworkers.

□ WORKERS at the UIE rig yard on the Clyde in Scotland have split over taking strike action in response to the management's announcement that more that half the 530 full-time staff will be made redundant.

UK NEWS APPOINTMENTS CONTRACTS

Oxley's empire geared for long-term future

Peter Marsh discovers why one of Britain's successful high-tech entrepreneurs places a high price on self-sufficiency.

SEVERAL TIMES a year a blue-and-gold flag can be seen fluttering above a 19th century manor house in Ulverston, Cumbria in north west England. It is a sign that one of Britain's most eminent – though least known – electronics entrepreneurs is in residence at the headquarters of the company he created 48 years ago.

The flag displays the personal crest of Mr Freddie Oxley, the 77-year-old founder and chairman of Oxley Developments, a small but successful electronics concern which is based in one of England's remotest regions on the borders of the Lake District.

Mr Oxley moved his home from England for tax reasons in the mid 1960s and now spends most of his time at houses in Geneva and Laxey, on the Isle of Man. But two or three times a year the Sorbonne-educated chairman flies to Cumbria to spend spells of several weeks at the company, the fortunes of which he continues to direct to a remarkable degree.

All shares in Oxley Developments, which has annual sales of £7m, are family-owned. The company makes customised electronic equipment, such as telecommunications switches, filters and display devices for a range of blue-chip concerns. Customers include Plessey, GEC, Chase Manhattan, Bank of America, United Technologies and Hughes Aircraft.

Other products include devices used by manufacturers of traffic lights to ensure that the signals are sufficiently bright to be visible in sunlight. Mr Oxley, who normally shuns from publicity, started in business making capacitors used in the radar sets vital to Britain's efforts during the Second World War. He speaks six European languages and is credited with about 100 engineering patents. He still travels the world drumming up exports for his company.

A recent achievement is the setting up of a factory in New Haven, Connecticut, which is about to start production, mainly to serve the US defence industry. The factory should employ 40 people by next year, adding to the 400 who work in Cumbria.

Mr Oxley, who communicates daily with managers at Ulverston by telephone and continues to work in his own electronics laboratory in Laxey, says he views the company as his hobby. "I could never give it up – it's like gardening," he says. "I've never been tempted to sell even part of the stake. You wouldn't sell a share of your toy."

Despite his absence for most of the year, Mr Oxley maintains a strong spiritual presence at his company's Ulverston base. The enterprise moved from its initial factory in London to its present location in 1942, as part of the drive by the Churchill government to shift vital war operations to the countryside.

Visitors to the Ulverston manor house and the factory units tacked on to it, many of which have spectacular views of some of England's highest mountains, can inspect manufacturing machinery that Mr Oxley himself produced. There is also a plantation of Christmas trees – now lofty specimens – that the chairman planted with his own hands.

Each working day, the directors and senior managers meet at 8am for 30 minutes in the company's panelled board room, which is hung with two large portraits of Mr Oxley and his wife, Ann. Mrs Oxley, who helps her husband with administrative duties, is president of the company's US subsidiary.

At this daily gathering, the company's officers ceremonially inspect all the morning's mail – brought to them in wire baskets. The chairman introduced this morning ritual back in the 1940s to acquaint managers with each other's problems.

One particular task for the meeting is to monitor invoices which have gone unpaid. This determines which of the company's suppliers are poor at settling their debts. Unusually for a company of such a size, Oxley Developments has no managing director. Mr Oxley says this is to encourage democracy among the concern's top managers.

The senior person at the company is Dr Geoff Edwards, a mild, pleasant man who has worked at Oxley since 1968. Dr Edwards is keen to show visitors the inventions of his chairman – one of which is a minuscule ball-and-socket arrangement, devised in 1975, which links up electronic circuits with a audible click.

Perhaps the most remarkable factor about Oxley is the degree to which it scorns sub-contractors, preferring to do itself practically all the work involved in the production of electronic equipment.

According to Mr Oxley, making money out of his company is less important than building up an operation that will be turning out useful products over decades. He criticises much of UK industry for paying too much attention to short-term goals. "The touchstone of an industry," he says, "should be its longevity."

British Gas planning post

The new director of corporate planning and management services for BRITISH GAS EASTERN REGION is Mr S. J. Kilbourn, the region's personnel director. He takes up his appointment on September 29. Mr Kilbourn who takes over from Mr W. M. Johnston, has been personnel director since July 1977.

*

THE HUDSONS GROUP has made the following appointments: At Hudsons Offshore Holdings Mr E. C. Shadwell is appointed general manager. He joins from Harefield Rubber Co where he was managing director. Miss Gina M. Ayres becomes director and general manager of HOH Supply with overall responsibility for Hudsons international supply and trading division. Mr N. A. Harsant has been appointed managing director of Hudsons Freight Services. He is also managing director of Hudsons Freight Services (Far East). Mr C. J. Kent and Mr P. J. Giles become directors. At Hudsons Offshore Mr I. R. Main, a board member of the Hudsons Group and previously managing director, Hudsons Freight Services, is appointed managing director. Mrs J. Berry becomes a director, and Mr J. Martin Eaton is appointed general manager.

*

British Alcan Aluminium has appointed Mr Malcolm Shearer as managing director of BRITISH ALCAN SHEET. He assumes this position in addition to his existing responsibilities as managing director of the foil division. The appointment represents a significant new management structure with the sheet and foil operations being combined into a new rolled products division.

*

CUTTS & CO has appointed Mr Fred Clarke as chairman. He was previously with IBM and Royal Ordnance Factories.

*

JAEGER has appointed Mrs Sheila Reiter as managing director of Ladieswear UK. Mrs Reiter joined Jaeger at the beginning of August.

*

Mr Keith Jecks has joined LLOYDS INVESTMENT MANAGERS as a director with overall responsibility for the marketing of its investment management business. He is also joining the board of Lloyds Merchant Bank. Mr Jecks is joining from Reeves Brown Associates where he was a director. Previously, he was a director of actuaries Cubie Wood & Co, where he was responsible for its investment performance monitoring service.

*

HELIX SOFTWARE CONSULTANTS, part of Helix Technology Group, has appointed Mr Ray Maskell as associate director in the UK and European division of the group. He was assistant general manager at Midland Bank international division.

*

Mr Denis Finning has joined AMERICAN EXPRESS ASSET MANAGEMENT as an investment director with responsibility for portfolio investment in the Japanese and Far Eastern stock markets. He was an investment director with Britannia Asset Management.

*

PA OIL AND GAS SERVICES has made Mr Andrew Mather its director—oil and gas (UK). He was manager—UK operations.

*

Mr Stephen Clark has been appointed a director of COUNTY GROUP, the management company of the NatWest Investment Bank group. He has also been appointed a director of County.

*

INSERTECH has formed a holding company, Insertech Group Investments. The company will own holdings in Insertech, Insertech (Contract Maintenance), Fife-Insertech Co, Gilmoss, and Professional Technology Services. The present directors of Insertech Ltd, Mr R. A. Westcott, Mr M. G. Green and Mr B. P. Nicoll will all become members of the group board, with Mr R. A. Westcott as chairman and chief executive of the new company.

Group finance director at IBL

IBL has appointed Mr Ashley West as group finance director from September 8. He was previously group finance director at Tiphook and prior to this held positions as vice president, financial controller in the UK for Continental Illinois National Bank & Trust Co of Chicago and assistant director of administration in the banking division of J. Henry Schroder Wagg & Co.

*

Sir John Baddeley has been appointed finance director and company secretary of MENTZENDORFF AND CO, a subsidiary of Champagne Bollinger.

*

Mr G. Neville Hill, financial controller of Bucyrus Europe has been appointed a director of MINING MACHINERY CO.

*

JOHN SUTCLIFFE & SON (HOLDINGS) has elected Mr Christopher Thompson a non-executive director. Mr Thompson is chairman of Wynn Electronics, a board member of Barclays in Birmingham, G. T. (Japan) and Saraswati India.

Piccadilly refurbishment

SIR ROBERT McALPINE & SONS has been awarded a £6.5m contract by Abacus Developments for extensive refurbishment of two listed buildings at 138/140 Piccadilly, and one in Hamilton Place, and the construction of an extension to 11/12 Hamilton Place comprising basement, lower ground, ground and six upper floors. Internal work includes construction of a lift core with steel frame and staircase to 138 Piccadilly. External walls will be cleaned and damaged stonework repaired. The extension to 11/12 Hamilton Place will be of reinforced concrete on bored piles and reinforced concrete ground beams and slabs. Reinforced concrete retaining walls will be built to form an enclosure at lower ground and basement levels. The extension, served by two passenger lifts, will provide 1,120 sq metres of office accommodation on ground and four upper floors, 920 sq metres of residential accommodation on three upper floors and 378 sq metres of garage space. Work is due for completion in November 1987.

*

CYANAMID OF GREAT BRITAIN, Gosport, is to construct a £2.5m laboratory for the development of herbicides and growth regulators, and has awarded a design/build contract for the 14,500 sq ft building to WARINGS, Portsmouth. Other awards to Warings, totalling £7m, include civil engineering at the proposed Port Solent Marina, Portsmouth, where the reclamation and filling work involves importation and compaction of 800,000 cu metres of chalk fill, and coupled with the construction of the arterial roads and drainage, amounts to £4m in value. The work is for Arlington Securities.

*

NORWEST HOLST has started work on a £2.6m contract for the Welsh Water Authority. This involves construction of a new head office premises situated within the Brecon Beacons National Park. When completed in the late summer of next year, it will replace the authority's existing head office which is close to the new premises and will be demolished. Also for Welsh Water, Paterson Candy Holst will soon start a £4.3m water treatment works contract at Court Farm near Newport. The joint company of Paterson Candy International and Norwest Holst will begin preliminary work in September, although the main contract will not start until early next year. A further order is for a £1.3m Territorial Army Volunteer Reserve Centre at Cwmbran in Gwent.

*

JOHN LAING CONSTRUCTION has been awarded two contracts, together worth over £7m. The larger, at £4.4m, is for installation of the infrastructure to the Capability Green Business Park off Airport Way, near junction 10a of the M1 motorway, Bedfordshire. The project includes the dualling of the existing highway and construction of a grade separated junction to serve the business park. A three-span bridge will cross Airport Way, leading to the main spine road for the estate. Extensive landscape works are included. Lygtun awarded the 52-week contract. In the London Docklands, Laing has been awarded a £2.5m contract for construction of an embankment as advance works for the Eastern Gateway access road into the Royal Docks. The work involves 190,000 cu metres of fill for the embankment which is to be built in three phases to allow for settlement. The contract was awarded by the London Borough of Newham for the London Docklands Corporation.

*

MOWLEM MIDLANDS has won two contracts together worth £5m. At Bromyard, Worcestershire, West Midlands Regional Health Authority has awarded a £2.42m order for the construction of a joint community hospital and home for the elderly. It will consist of a single-storey clinic and administration building grouped around a courtyard with a hospital wing and a residential wing. Work has started for completion in December 1987. At Saltley, Birmingham, Mowlem has won a £2.54m urban renewal contract from City of Birmingham District Council in zone 1 of Berry Housing Action Area. The work involves improvements and alterations to 137 properties most of which require extensive refurbishment including reroofing, replastering new heating and electrical systems and new bathroom and kitchen fitments. Work has started for completion in September 1987.

*

STONE INTERNATIONAL has been selected by British Rail Engineering Ltd, (BREL) to supply both air conditioning and powered door equipment for the new type 442 Bournemouth line coaches. The contract value is around £1.8m. The underframe mounted air conditioning units will use heat pumps to improve performance and reduce running costs. The doors will be a blend of sliding and swinging plug types. Delivery is scheduled to commence during the early part of 1987.

*

PHILIPS BUSINESS SYSTEMS has taken orders for its Maestro software development system totalling £1.5m in July. This includes orders from the Inland Revenue, East Midlands Gas and ASDA, which are extending Maestro systems, and from H. J Heinz, which is installing its first this autumn.

*

REAL TIME DEVELOPMENTS (RTD), has won a contract—potentially worth over £1m—from British Telecom to supply its network systems as part of the five-year DHSS local office project. Under the contract, RTD will provide an integral Clearway node for Newbury Data intelligent terminals, plus stand-alone byte-multiplexor and printer nodes. In line with the DHSS requirement for comprehensive central management facilities, these systems are to be installed into its 500 local offices and networked to Information Technology's Momentum 9,000 minicomputers for updating.

*

JAMES SCOTT MECHANICAL AND ELECTRICAL SERVICES has landed contracts totalling over £1.5m. The biggest contract —£767,000 from the Trent Regional Health Authority — is for mechanical services in Bassetlaw District General Hospital. The two-year programme, which starts early in 1987 of plant, controlgear and pipework for heating, ventilation, air conditioning, hot and cold water, and medical gas services.

James Scott is to undertake a similar project in a new process-control building at the Shell UK oil refinery at Stanlow. The £400,000 contract entails the provision of all mechanical services for heating, ventilating, air conditioning, hot and cold water, and plumbing. Completion is programmed for the end of 1986.

*

The London Borough of Havering has ordered a DPS 8/49 dual processor large mainframe and a DPS 6/951 minicomputer, valued at almost £800,000, from HONEYWELL. The DPS 8/49 will replace a Honeywell Level 66 computer, which was installed in 1980 and is now running at full capacity. The new DPS 8 will be used for work associated with finance, rates, revenues, social services and personnel and will provide full on-line database services to all departments.

*

KEI LASERS INC (part of United Scientific's US subsidiary Optic Electronic Corp) has been selected to build an eye-safe laser rangefinder system for training use by the US Army. KEI Laser Inc has been awarded a subcontract from Fairchild Weston Systems Inc to the value of US$685,000 (£459,000) to build the first 18 prototype systems for initial tests and field trials. The total programme, which will be funded incrementally, will total US$10.5m (£7.05m) over the next four years. The eye-safe Erbium glass laser rangefinders use proprietary company techniques to accomplish distance measurement to all types of natural or man-made targets up to 10,000 metres to an accuracy of 5 metres. KEI will provide a complete laser and optical unit that will quickly convert the existing laser into an eye-safe simulator unit for training and real-time battlefield simulations. Six models of each type will be provided for the initial field trials. Over the four-year programme, a total of 1,012 units will be provided.

BCal plans Tokyo service launch

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH CALEDONIAN (BCal), the independent airline, plans to launch a service between Gatwick and Tokyo on April 1 next year.

The airline said yesterday that progress in talks between the UK and Japan on air services between the two countries had been sufficient for BCal to plan firmly for the start of its new service, although further discussions will be held later this year.

Mr David Coltman, BCal managing director, said: "We are confident that an April 1 start date is realistic. It is clear that the UK and Japanese Governments have accepted the principles of more flight frequencies and additional carriers on the UK-Japan route, and the way is open for BCal to enter the market."

The airline expects to operate three Gatwick-Tokyo services a week by April next year at the latest. A BCal office is being set up in Tokyo, and legal requirements will be settled soon. Soviet approval for trans-Siberian over-flying rights is expected shortly.

Flight frequencies, timings and fares have yet to be confirmed, but BCal is accepting registrations from interested passengers. These will be converted into firm bookings once the final confirmation of the services is received.

CIVIL ENGINEERING

The slow-running tap

By Joan Gray, Construction Correspondent

TWO OF Britain's biggest construction companies, John Laing and Trafalgar House, are forming alliances with French contractors to tackle what they hope will be a growing market for providing private water treatment services.

John Laing is setting up its new business, Water Services, with Lyonnaise des Eaux; Trafalgar House has formed a new company, called Cementation Saur Water Development, with Bouygues, the French group which claims to be the world's largest construction company.

The moves are part of the diversification by some UK contractors because of the dwindling workload in their traditional civil engineering business, with its heavy dependence on public sector spending.

As John Laing's chairman, Mr Martin Laing, puts it: "You can't just keep on digging holes in the ground if you want to grow."

Laing's water services company is still in its earliest stages, and has still to announce its first contracts.

It was aiming to provide water treatment services after the privatisation of Britain's water authorities. The authorities spend a total of £867m a year on capital works, with £273m going to water supply and £434m to sewage treatment.

But Laing's plans have been checked by the Government's surprise decision last month to postpone water privatisation until after the next election.

"The idea was that we would have been able to tender to provide the water authorities with a more competitive and less costly service by building and operating new waterworks or pumping stations for them after they were privatised," says Mr John Allen, John Laing's director of services.

"We have been trying to build up the company and make contacts for a year, but have been hindered by the debate over privatisation."

Mr Alan Ure, the Trafalgar House deputy managing director who is responsible for setting up its water company, is also having to rethink his plans.

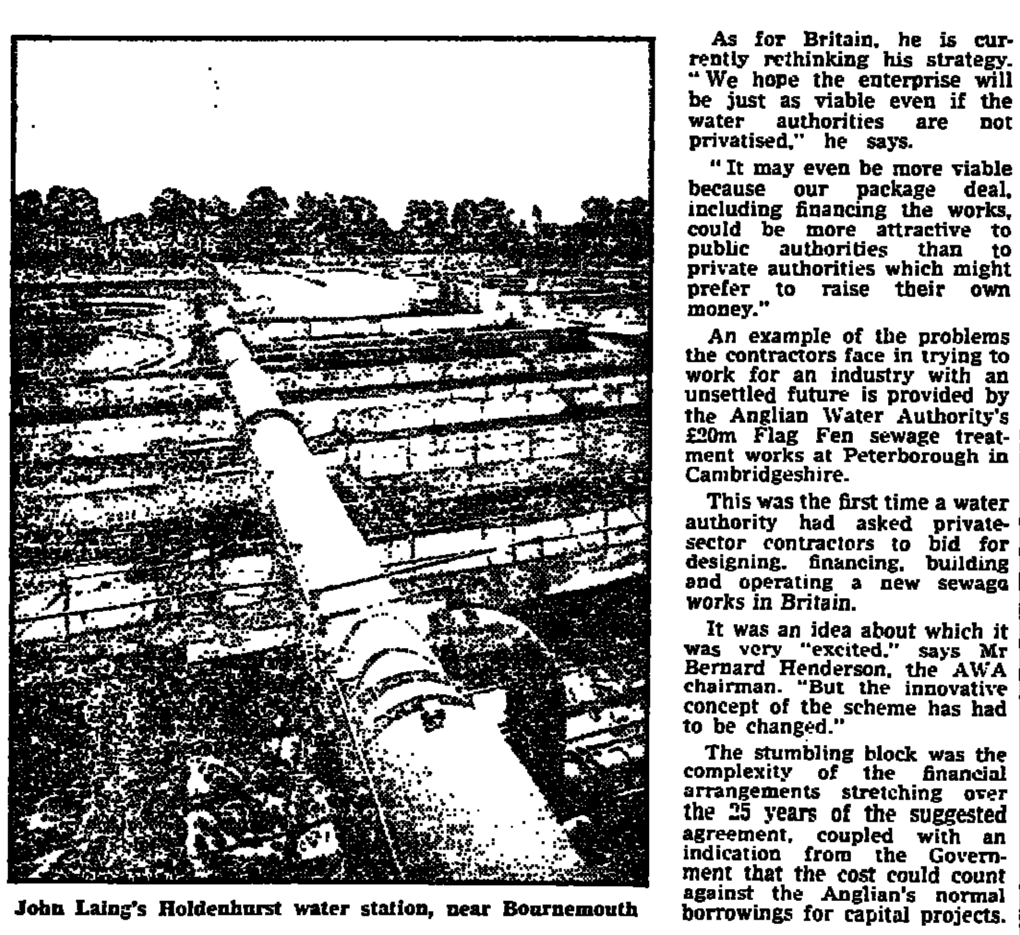
"I can't speak about specific projects because the whole business is so very sensitive," he says. "The water industry is in a state of flux at the moment with everybody going round in circles as a result of the Government's decision to delay privatisation.

"We started talking to Saur when privatisation was on the way, so we will be operating in a very different environment."

Cementation and Saur came together largely as a result of the strong personal liking which sprang up between the heads of their two parent companies during the negotiations over who was to build the fixed Channel crossing.

Mr Francis Bouygues and Sir Nigel Broackes, both ebullient self-made men, were in opposing groups when bidding for the Channel project. But they decided they would like to work together in future, and Cementation Saur Water Development is the first fruit of this decision to co-operate.

Cementation Saur combines Saur's experience in designing and operating waterworks with Cementation's experience in building them. It will offer package deals to design, build, and operate water and sewage works.



John Laing's Holdenhurst water station, near Bournemouth

A key element in the package will be the ability to provide finance for projects, says Mr Ure. He is hoping to build up a £100m a year company on contracts in the UK and overseas.

He is expecting international work to become the major part of his business, citing as the size of his market "the World Bank's estimate that £250bn is required for guaranteeing good water supply to everyone in the world, compared with a current expenditure of only £5bn a year on water in the Third World."

Africa and India will be his first targets in the search for overseas work, together with the US.

As for Britain, he is currently rethinking his strategy. "We hope the enterprise will be just as viable even if the water authorities are not privatised," he says.

"It may even be more viable because our package deal, including financing the works, could be more attractive to public authorities than to private authorities which might prefer to raise their own money."

An example of the problems the contractors face in trying to work for an industry with an unsettled future is provided by the Anglian Water Authority's £20m Flag Fen sewage treatment works at Peterborough in Cambridgeshire.

This was the first time a water authority had asked private-sector contractors to bid for designing, financing, building and operating a new sewage works in Britain.

It was an idea about which it was very "excited," says Mr Bernard Henderson, the AWA chairman. "But the innovative concept of the scheme has had to be changed."

The stumbling block was the complexity of the financial arrangements stretching over the 25 years of the suggested agreement, coupled with an indication from the Government that the cost could count against the Anglian's normal borrowings for capital projects.

"The authority's board was very disappointed that the scheme had to be changed," says Mr Henderson. "But the immensely involved issues of financing forced us to change our plans."

The Flag Fen works will be going ahead—but as a conventionally financed project paid for from the authority's usual public sector funds.

Terms are now being negotiated with Ames Crosta Babcock, the Lancashire contractor which was selected in the original bid which included financing the works.

Ames has been building sewage treatment works since the turn of the century. It, with the other contractors who bid, including Laing's Water Services, had all "enthusiastically" approached the chance to do it a different way.

FT COMMERCIAL LAW REPORTS

Digest of Trinity Term cases

FROM JUNE 27 TO JULY 23 1986

In re Mossmain Ltd (FT, June 27)

In order to circumvent a possible restrictive covenant with a third party, Mr Gensale arranged for his wife to hold all his shares and to be director in his stead in a corporate venture which he entered into with three other directors. After subsequent disagreements, Mr Gensale's employment with the company and his wife's directorship were terminated. In allowing a motion to strike out Mr Gensale's name from a petition alleging "prejudicial conduct" under section 459 of the Companies Act 1985, Mr Justice Hoffmann stated that Mr Gensale had no *locus standi* to petition as his name was never entered in the register of members, and there was no agreement between the company and Mr Gensale for the latter to become a shareholder which equity could treat as performed.

Re Posgate & Denby (Agencies) Ltd (FT, July 1)

The balance of convenience was heavily against granting an injunction to Mr Posgate to prevent a sale of the three active underwriting syndicates of a former Lloyd's underwriting agency, Mr Justice Hoffmann stated, because of the risk of causing irreparable harm to the company and its shareholders. Furthermore, the relief sought was an injunction to restrain the sales until "approved by a majority of the shareholders." The articles did not entitle the shareholders to vote. It was thus impossible for the court to superimpose an obligation of "fairness" that involved seeking their prior approval for the disposal of the company's assets.

Shansher Jute Mills Ltd v Sethia London Ltd (FT, July 2)

Under an f.o.b. contract for the sale of jute yarn, to be paid for by irrevocable letter of credit, the buyers were "to remain responsible for payment of the full value of the goods" (per clause 13 of the terms and conditions of the Bangladesh Jute Mills Association). The documents presented by the sellers contained discrepancies which the buyers refused to accept and they thereupon reversed the credit given to the sellers under reserve. In rejecting the sellers' claim to recover the price directly from the buyers, Mr Justice Bingham said that if a seller failed to obtain payment because he did not present the documents which the terms of the credit required, the buyer was discharged and clause 13 of the BJMA did not alter that result.

Goddard and Another v Nationwide Building Society (FT, July 4)

In order to finance the purchase of their house, the plaintiffs raised a loan with Nationwide. The same solicitor acted for both parties. In subsequent proceedings for negligence against Nationwide the plaintiffs sought to strike out the contents of a note from Nationwide's defence in the solicitor's possession, on the grounds that it was privileged. The Court of Appeal, in allowing the appeal, held that if a litigant had in his possession copies of privileged documents he might use such copies as evidence in his litigation. However, if he had not yet used the copies in that way, the fact that he intended to do so was no answer to a claim against him to deliver them up or to restrain him from making use of them.

Tradax Ocean Transportation SA v Pagnan SpA (FT, July 8)

A contract for the sale of Thai tapioca pellets on a Gafta form specified that the sellers were "to provide for an export certificate." As a result of subsequent intervention by the Thai Government, the sellers were unable to supply the requisite certificate. Mr Justice Steyn, in upholding a Gafta Board of Appeal decision that the sellers were not liable to the buyers in damages, stated that the special condition, properly construed, imposed an absolute obligation on the sellers to obtain an export certificate. However, Clause 19 of the form stated in the event of a legislative act restricting export "this contract . . . shall be cancelled." The question whether the sellers were excused by the provisions of the clause was one of fact. The Board of Appeal had answered it in favour of the sellers.

Continental Illinois National Bank and Trust Company of Chicago v Papanicolaou (FT, July 9)

The defendants in an action for summary judgment under a personal guarantee had undertaken to pay the plaintiff bank, in the event of default of the principal debtors, free from "set-off or counterclaim whatsoever." At first instance, the defendants were refused unconditional leave to defend but were granted stay of execution on the grounds that the bank was negligent in underselling certain vessels belonging to the principal debtors. In removing the stay, the Court of Appeal held that although the court had discretion to grant a stay, it should rarely, if ever, be exercised in the absence of fraud. There was no relevant distinction between a bank guarantee and a personal guarantee in the present case. The purpose of both was to ensure immediate payment if the principal debtor failed to meet his obligations.

Lusograin Commercio Internacional de Cereas Limitada v Bunge AG (FT, July 11)

Although a contract for the sale of wheat expressly provided for shipment in March 1983, the buyers were entitled to an extension of up to 60 days. The buyers were also to give at least 15 days' notice of readiness of the ship to load. In a dispute over the date at which damages against the buyers were to be assessed for their failure to give notice of readiness, after having received a 60-day extension, Mr Justice Staughton said that although the buyers were in default before the end of the shipment period, the sellers were entitled to opt for certainty by waiting until the end of that period and to have the damages assessed on that date.

Bank of Baroda v Penessar (FT, July 15)

When the defendants' companies exceeded their overdrafts to the extent that the plaintiff bank decided to act on its debenture and appoint a receiver, the bank issued demand notices which called for "all moneys due." No reference was made to the actual amounts involved. The receiver was appointed about an hour after the receipt of the demand notices. Mr Justice Walton refused to uphold the defendants' contention that it was essential to the validity of the notice that it specify the amount of the debt. Moreover, sufficient time for compliance with the demand had elapsed before the receiver's appointment.

Knibb v National Coal Board (FT, July 16, International edition, July 18)

In a case concerning subsidence to a house caused by mining operations, the NCB appealed from a decision of the Lands Tribunal to award interest on the compensation granted to the plaintiffs. In a majority decision, the Court of Appeal held that the mandate of the arbitrator in the case was determined by statute. Parliament provided that disputes arising under the Coal Mining (Subsidence) Act 1957 could be resolved by a county court, a consensual arbitrator, or the Lands Tribunal. As a county court and a consensual arbitrator undoubtedly had power to award interest, it was inconceivable that the Lands Tribunal was not intended to have a similar power. Moreover, on the wording of the 1957 Act, interest was to be awarded from the date that the right to compensation arose.

In re EVTR Ltd (FT, July 18)

Mr Barber, who won £250,000 on a premium bond, agreed to help EVTR, which was in financial difficulties, by buying equipment and leasing it to the company. Thereafter, however, he signed an authorisation releasing £60,000, already held in a special account of a company set up to acquire EVTR's shareholding "for the sole purpose of buying new equipment." The purchase was made but, on EVTR going into receivership, the seller repaid the sum and took back the equipment. In rejecting Mr Barber's claim that the money was held on trust for him and was not a company asset, Mr Michael Wheeler QC, a deputy High Court judge, stated that once the company had purchased the equipment, Mr Barber's primary designated purpose had been carried out so no question of a trust attaching to the money in his favour could arise. The trust concept could not be revived merely because the purchase subsequently fell through.

Aswan Engineering Establishment Co v Lupdine Ltd & Co (FT, July 23)

Aswan bought a waterproofing compound, manufactured by Lupdine, for shipment to Kuwait. The compound was packed in plastic pails which were manufactured and supplied by Thurgar. The pails, stacked high in containers, collapsed in the heat of the Kuwaiti quayside. In rejecting Lupdine's claim that Thurgar had sold goods that were not of "merchantable quality," the Court of Appeal held that section 14 of the Sale of Goods Act 1979 had not introduced a change in definition of the law as developed since the 1893 Act. Goods did not have to be suitable for every purpose within a range of purposes as Lupdine contended. Moreover Thurgar was not liable to Aswan in tort as the type of damage and the condition in which it occurred were outside the range of what was reasonably foreseeable.

The first part of this digest appeared yesterday. It will be concluded on Friday.

By Aviva Golden

TECHNOLOGY

Competition is hotting up in the market for electronic airline reservation systems reports Jane Rippeteau

Travel agents find computers just the ticket

PATRICK WALSH was beside himself with excitement. That very morning the travel agent on London's Ludgate Hill had received instructions giving him access to an electronic airline information service. It showed special, up-to-the-minute discounted fares with a variety of carriers in hundreds of locations. He was anxious to demonstrate the system.

"London to Syracuse, New York?" he asked, turning to his screen. He called up New York, the suitable destination for the transatlantic part of the flight, and then Syracuse.

Several fares flashed on to the screen. The lowest offered by Piedmont for that August day was $26.85 one-way—compared to $76 listed in the ABC World Guide, published monthly.

"I can provide a much better service," says Walsh, sales manager at Walsh International Travel, an independent agency he launched with his brother 18 months ago. "Without this, I would have to phone around to many airlines and beg for the information."

The fare information service used by Walsh is provided by ABC Electronic and is an electronic version of its World Guide. ABC's service is updated weekly, and sometimes daily, according to Nigel Steele, ABC marketing manager. The service was first offered last year, and now "several thousand" UK travel agents tap into it daily, he says.

Now, spurred by the prospect of at least limited airline deregulation in Europe, it is another entry in the booming business of supplying travel agencies with computerised reservations systems, which typically list hotels, car hire companies and other travel concerns, as well as airlines.

The UK market is dominated by Travel Automation Services, known as Travicom, and owned 82 per cent by British Airways. Last autumn and this spring, two American competitors, American Airlines and United Airlines, bolstered their drives into Europe, their products freshly honed by US airline deregulation.

"The competition has always been there, but it is picking up pace," says Mike Thorne, marketing automation manager at British Airways. The US market generated revenues last year of some $700m in fees paid by travel agents and by airlines and other companies who sell through automated systems, he says. But, it is now "virtually saturated" with systems supplied by American, United, Eastern, Delta and TWA. Such suppliers are now being driven overseas.

They may find fertile ground, if airline deregulation also goes through in Europe, notes John Birkle, director for information services at Thomas Cook Group, the British travel company. "The more deregulation comes in, the more information agents need to shop around for the best price," he says.

As Walsh of Walsh International explains, reservations systems grew up around national airline carriers, and typically favoured flights of the national company. A customer can wind up paying unnecessarily high fares for local connections. US computer reservation systems used to be similar, but with deregulation we "had to take the bias out," says Chris Vasiliou, Europe regional manager for American Airlines' service, called Sabre.

Sabre, which handled bookings for Moscow's Goodwill Games, has schedules for over 600 airlines and is updated daily, says Vasiliou. He adds that 90 per cent of the flights listed can also be booked through the system, although the ticketing capability is not yet available for European agents.

"National carriers in Europe have reacted to protect their own interests," says John Packer, regional automation manager, Europe for United Airlines. But with a target market in Europe of 12,500 travel agents holding International Airline Travel Association (IATA) approval, he is offering new features for his Apollo system to try to lure customers.

In a joint project with International Business Machines, United is developing a management and accounting feature for the Apollo system, he says. The new product is intended mainly for agents specialising in corporate accounts, and is to be available by the end of this year.

In one use, information about a particular business customer, such as preferred airline carriers, flight times, seating, hotels and other details, could be stored and called up instantly each time the customer books. Also, a computer at the travel agent's premises could be connected to one at the customer's offices through telephone lines, allowing an agent to transmit information and itineraries electronically.

"That's the sort of thing the Americans are very good at," says John Walsh, managing director of Walsh International Travel. "If somebody travels regularly on the same flight, you can get an instant, 5-second booking. You key in the date, call up the passenger record and everything else is exactly as you know the client wants it."

Faced with competition, Travicom reduced the rates it charges. Instead of charging each user a flat fee, charges will be based on the number of sales made through the system explains Ray Grainger, Travicom managing director. He says the company is also developing a "President" service for storing client profiles.

Using British Telecom's Prestel service, for instance, they can access a huge range of tour operators. According to Cox, about 85 per cent of holidays operated by Thomson the British travel agent are now booked through videotext.

To the Walsh brothers, competitive pressures leave them no choice but to automate. "We have to be plugged in," says Patrick Walsh. Despite costs — he pays $250 annually for access to ABC — "this is what you have to do if you are a small independent agency."

In search of the foolproof bank card

BANK CARDS could be made much more secure according to Grazebrook Laboratories, a small company at Farnham Common, Buckinghamshire, UK (02814 3187).

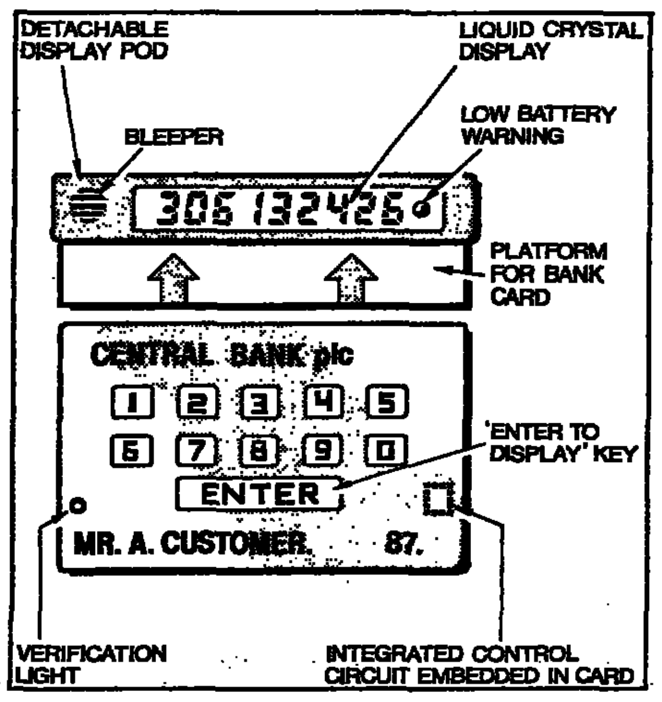
The idea is to have a cheap, thin keyboard and a liquid crystal character display embedded in the card. The card carries no signature and no embossed card number.

In the shop, all the cheque writer has to do is remember his personal identification number (PIN). He enters this on the keyboard and intelligence in the card responds by showing the bank card number on the screen.

Only the correct PIN followed by "enter" will produce the number. Incorrect entries produce nothing at all, so that the shopkeeper can begin to suspect the customer, who is allowed five attempts before "FAIL" appears in the window.

In practice, the card would have to be in two parts, a simple plastic card bearing a flush keypad and magnetic stripe to make it machine readable for other purposes, together with the LCD display in a separate pod into which the card plugs.

Although the "card" would cost more than present designs, the reduction in cheque card fraud would make it viable says Grazebrook.



Grazebrook Laboratories idea for a more secure bank card with built-in liquid crystal display

Facsimile multiplies

FAX INSTALLATIONS have multiplied noticeably in the UK. In the first half of this year they exceeded 20,000—about the same as for the whole of 1985, according to the British Facsimile Industry Consultative Committee. Worldwide a total of 2m terminals are now installed (60,000 in the UK). Many are Group 3 machines which are fast and easy to use.

LASER PRINTING at 750,000 pages a month is the market segment aimed at by Rank Xerox's new model 4050. Intended for medium sized, centralised data centres, the machine has the same facilities as Xerox's big 9700 and 8700 printers and can communicate over Ethernet local networks. Rank Xerox in the UK is on 0895 51133.

VOICE MESSAGING by radio has been introduced by Securicor, one of the UK's two providers of cellular telephone service.

When users are away from their vehicles, incoming radiotelephone calls are re-directed to a central storage unit and the caller is asked to record a message. On their return, users ring the "Voicebank" number to have any messages played back.

WORTH WATCHING

Voicebank can also be linked to British Telecom's radiopaging systems so that when a message is left, the recipient's pager "bleeps" immediately to alert him. More on 01-689 2144.

VISION SYSTEM modules for equipment makers to build into their own automation systems for high volume production have been announced by International Robomation/Intelligence, the Californian company with a UK subsidiary in Solihull, West Midlands (05645 2054).

Designated VM256, the IRI system processes pictures from cameras a whole frame at a time rather than line by line. Using an optional array co-processor capable of 40 MIPS (millions of instructions per second), objects, or visual features of objects can be recognised at high speed. Bottles for example, could be inspected at 300 per minute.

Quantity price, with 40 MIPS co-processor, is under £7,000.

PUMP DESIGN has been reduced from weeks to days at Ingersoll Rand in Gateshead, UK, where the engineers are using a computer-aided design (CAD) system from Applicon, a Schlumberger company, to generate solid models on screen.

It is claimed that productivity gains between 1.5:1 and 5:1 have been achieved and Ingersoll says that four or five design options can be produced in the time previously taken to draw one manually. The company recently diversified from stand-alone pump manufacture to complete systems of pumps, pipes, controls and mounts and these too, can be solid-modelled in colour.

Networks are getting wider

WIDE AREA networks (WANs) are set to double in number in Western Europe between now and 1992 according to Logica, the London-based software systems house. The UK will account for about 25 per cent of them. WANs can be set up by companies using proprietary software and hardware to allow their locations, and perhaps suppliers' and customers' locations to be linked up, over wide geographical areas, using local and remote PTT facilities.

The subject is studied in "Wide Area Network Markets" from Logica, which looks at market size and growth, user needs, the influence of the PTTs and the market opportunities.

The study also predicts that ISDN (integrated services digital networks), the co-ordinated moves by the PTTs to offer speech, data and video transmission over the new digital phone networks, will "significantly impact" the WAN market. More on 01-637 9111.

NEW ROBOTICS software allowing animated simulation of multiple and interactive robot work cells on screen/keyboard units has been released by McDonnell Douglas Information Systems.

The latest machines can be simulated and the company says it can now match the needs of the world's 60 most widely used robots. More from the UK subsidiary in Woking, on 04862 26761.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

DRIVING west along the M27 motorway towards Southampton, the plant appears as a monument to modernity: white, mid-1970s at one end, blind windows; then at the opposite end, stark black, an early 1980s addition, with staff visible inside, scurrying, glimpsed through the opaque windows. Standing on land reclaimed from the sea, flanked by ornamental lakes, this is North Harbour, just above Portsmouth. It is the UK headquarters of the world's largest computer company, IBM.

Inside, the theme of ultra-modernism is continued — lots of green plants, light tiles, a sense of purposefulness, of confidence. Access for all staff to different parts of the building is by plastic security card: inserted into a wall-mounted reader, it opens the door. The staff restaurant is single-status, and everyone eats there. Overlooking one of the decorative pools, it serves—very efficiently—four main courses each day. It is all reminiscent of the new, high-tech Habitat. Sleek, groomed, North Harbour has the feel of success — and no wonder.

IBM bestrides the computer industry like a colossus. "No one ever got fired for buying an IBM" is an industry truism — and one which has seen off many of its competitiors. In every sector of the industry in which it operates — mainframes, storage devices, personal computers, electronic typewriters — it dominates, clustering parasitic companies around it, and allowing others to plug the few holes it has left.

In the first three quarters of 1985, the company reported lower earnings than previously, reflecting the limited fallback in the US high-tech industries, though its fourth quarter results improved markedly, with a 23.4 per cent rise in net income — evidence of a cautious but sustained upturn in high-tech. "The industry went through a tough time in 1985," said Tony Cleaver, chief executive of IBM (UK), at the beginning of 1986. "It has come out of that period with a better understanding of what has to be done to ensure growth in the future."

In the UK, IBM now employs more than 18,000 people in about 40 locations—manufacturing, sales, and service sites. A multinational, the company is acutely aware of international differences, as Kap Cassani, chairman IBM Europe/Middle East/Africa, told an OECD conference in Paris in November 1985: "In Europe in certain circles there is still an antagonism to business, particularly small business, as a respectable pursuit for able minds. No such stigma exists across the Atlantic.

Industrial relations

IBM does it its own way

Philip Bassett, in another extract from his book*, explains, today, why the computer giant has no unions and, on Friday, its alternative solution

. . . Europe's greater social stability may be enviable, but today's unemployment may be too high a price for it, and that stability is itself now threatened."

Nevertheless, the company's commitment to the UK is considerable. Manufacture for the whole of Europe of its highly successful personal computer, for instance, is carried out at its Greenock plant, in Scotland's Silicon Glen—its first factory in the UK, established in 1951. Its development laboratory at Hursley, near Winchester, is one of the company's largest outside the US.

IBM (UK) is successful, too: its profits for 1985 were up by 60 per cent, to £308m, in a year when the company worldwide was struggling. Its turnover rose by 30 per cent to £3.04bn, considerably higher than any of IBM's other European operations. Cleaver says: "I believe that, today, IBM has a greater growth potential in the UK than in almost any other country."

Growth the company has already seen — in revenue, in exports, in profits. It has seen, too, a remarkable growth in employment.

In 1984 its recruitment of 1,744 new employees was nearly double the 1983 figure, and the highest for 10 years: the 363 new graduates taken on was the highest number ever in one year.

Employment has risen less sharply than it did during the extraordinary acceleration in the heady days of the late 1960s, though its growth is startling at a time when employment generally is falling. Of its workforce, by far the largest proportion (almost 95 per cent) are full-time, permanent employees; another 3 per cent or so are on assignment overseas, with just over 1 per cent on secondment, maternity leave, or otherwise deemed to be inactive, and a little more than that part-time.

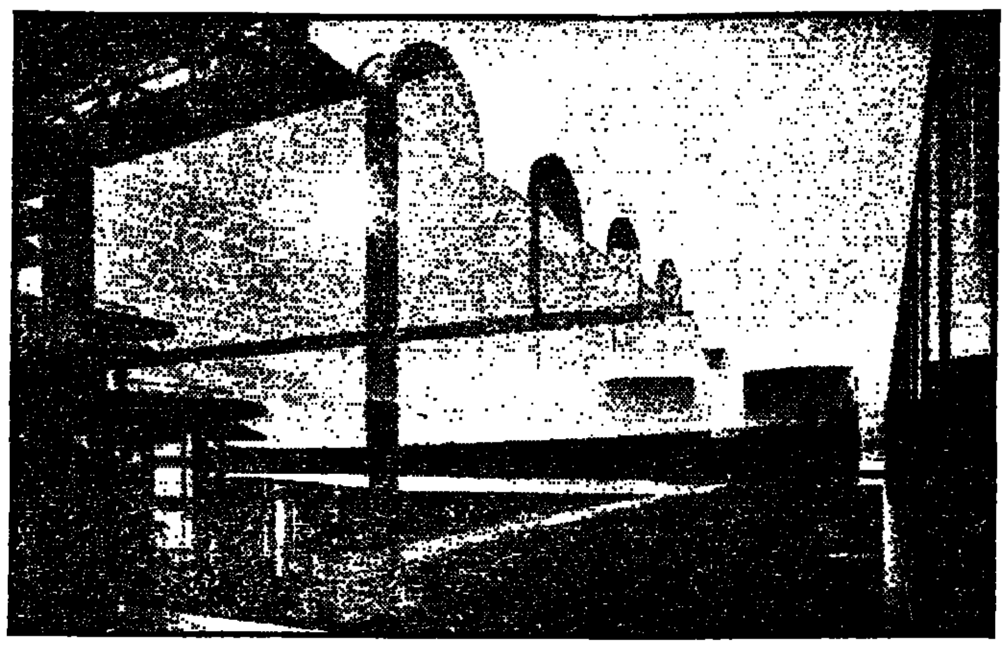
Senior managers have little time for theories, even practices, of core and peripheral labour, a complex combination of full-time and temporary workers. The company's age range is higher than some in the electronics industry: the largest single segment of its workforce is in early middle age, with a quarter over the age of 40 and 10 per cent over 50. Its average age was over 37 in 1984.

The largest portion (38 per cent) work in marketing and services, with 27 per cent in manufacturing. Pay, for most, is relatively high, with well over half earning more than £10,000 a year by the beginning of 1985.

Most employees stay with the company: average labour turnover in IBM has stood for some years at about 2.5 per cent; the concept of an "IBM-er" (significantly, not an employee who identifies particularly strongly with the company, but simply an employee) is widely voiced in the company's sites. Almost a third of all UK employees have been with IBM for more than 15 years; the average length of service is 11½ years.

That kind of satisfaction with the company is reflected in other ways too. As a memorandum from the company put it in early 1985: "The company has never lost a single day's production through disputes." IBM does not have strikes. "Since IBM United Kingdom was founded in 1951," it says, "there have been no strikes or lay-offs in the company. Much of this success is due to IBM's belief in respect for the individual."

One aspect of that philosophy is that IBM does not recognise trade unions. It is widely seen by union activists as an anti-union company. Even senior officials of the EETPU, the UK union rated most highly, indeed almost solely, by the company's senior managers, charge that IBM in Scotland has persuaded electronics companies there towards non-unionism, establishing a virtual anti-union cartel. But IBM insists that it is not anti-union; publicly, it is neutral, non-union. Its handbook for employees is specific:



IBM's UK headquarters: a monument to modernity

"You have the right, if you so desire, to be a member of any trade union you choose and if you are a member of a trade union you have the right at the appropriate times to take part in the activities of the union, to seek appointment or election as an official of that union, and if appointed or elected to hold office. You also have the right, *if you so desire, not to be* a member of a trade union or other organisation of workers."

What that is *not* specific about is that the company in the UK does not recognise unions for collective bargaining purposes. Implicitly, IBM sees in the concept of unionisation the assumption that the interests of the employed would inevitably be neglected by the employer in the absence of trade union representation. IBM does not accept this, arguing instead that its record shows that it is possible for a company to be successful, to be managed successfully, and for its employees' best interests to be a central part of that. Overall, it maintains that it does not recognise unions because its employees do not want it to.

That has only been tested once—but the results were so conclusive that the UK unions now effectively do not consider IBM as a likely or possible area for recruitment. In 1977, under the statutory recognition provisions then still in force under the Labour Government, the conciliation service Acas was asked by a number of unions—ASTMS, AUEW, Tass and the EETPU—to consider a claim for recognition at the Greenock plant. Each union claimed that it had the most support there—sufficient for recognition to be granted as a way in to greater trade union organisation throughout the company.

ASTMS claimed 75 members there; the Acas survey found 27. The EETPU claimed 50 to 100; Acas found 7. AUEW and Tass between them claimed 500. Acas found 9.

The Acas survey showed the level of trade unionism across the whole company. Given that unions are not recognised by IBM, the fact that 99.2 per cent of those responding (a high response rate: 95.2 per cent of all employees) were not in unions is perhaps not that surprising. But at that time, the high-water mark of post-war British trade unionism, throughout the company only 4.9 per cent (8.9 per cent at Greenock) wanted a union to bargain for them with the company; even among trade union members, about a quarter were against collective bargaining. Among non-union members, 91.1 per cent said they would not join a union even if IBM recognised it.

It is hardly surprising, then, that IBM should have maintained its policy of not sanctioning unions. That policy runs deep: IBM refuses to recognise unions, not because of their potential nuisance value, but because their collectivism runs wholly counter to the company's fundamentally individualist philosophy.

IBM lists three beliefs as the essence of its corporate culture, that indefinable but vitally important element of its make-up which, senior managers testify, allows them to walk into any IBM site, anywhere in the world, and feel at home. The beliefs are respect for the individual, service to the customer, and the pursuit of excellence.

Though these credos seem Japanese-like in their moral idealism, the IBM way—though it achieves the high standards of performance and output characteristic of the Japanese, including Japanese companies in the UK—is the exact opposite of the Japanese method. Japanese companies, including those in the UK, forge a corporate whole through collectivism, made most obviously manifest in the rigorous similarity of the uniforms which employees are required to wear. There are no uniforms at IBM; even the coffee served by machines in the North Harbour restaurant is individually ground.

With near-boyish enthusiasm, IBM managers proclaim with pride a long-standing, in-house description of the company's employees: "The biggest boy scout troop in the world." Precisely; the company and its employees are characterised by exactly that combination of individualist entrepreneurship, within an overall corporate philosophy—and it is, crucially, a proselytising philosophy, too: IBM knows it has a message, a better way of doing things.

"They are happy with the company," says John Steele, director of personnel, of the company's employees, "happy with the environment and happy with the jobs that they do."

* *Strike Free: New Industrial Relations in Britain, by Philip Bassett. Macmillan, £10.95. Reprinted by permission of Macmillan, London. To be published on August 28.*

Second thoughts about subsidiaries

Laurie Ludwick warns of legal pitfalls

COMPANIES should avoid establishing subsidiaries unless the advantages to the corporation as a whole make it absolutely necessary, says a report by the Institute of Directors.

The additional costs and responsibilities involved in running a subsidiary far outweigh any benefit derived from the corporate structure, particularly if the subsidiary becomes insolvent, maintains the report.

And those holding companies with established subsidiaries should search for more compelling justification for maintaining them other than a wish to avoid the short term winding up costs. In the long term, states the IoD, a periodic spring clean of the corporate structure is a good idea, and any costs incurred a worthwhile short term investment.

According to the IoD guide to boardroom practice, the concept of "group liability"—which makes directors of parent companies liable for a portion of an insolvent subsidiary's losses—has emerged from recent UK legislation. The IoD says the Insolvency Act 1985 may prevent a holding company from simply "walking away" from a subsidiary's bad debts.

Andrew Hutchinson, principal research executive at the IoD and author of the report, says the legal relationship which exists between a parent company and its subsidiaries has attracted great public criticism. The concept of "limited liability" means a subsidiary is an independent legal entity, and a holding company has no responsibility for the subsidiary's debts.

But the Insolvency Act has taken a significant step in making "group liability" the legal norm, says Hutchinson. Holding companies must now consider carefully the costly responsibilities in setting up a subsidiary, and appointing managers as their directors.

The Insolvency Act makes a director or former director of a company which has traded "wrongfully" liable for the debts of that company if it has gone into liquidation. But under the Act, a "shadow director"—a person whose instructions the directors of a company follow—can also be liable for wrongful trading.

Therefore, a holding company could be made liable to contribute to the subsidiary's debts if it withdrew its support after allowing the subsidiary to trade while it was technically insolvent.

Given the nature of the legislation, the report warns individuals to ignore the status—and remember the costs—associated with accepting the title of "director," when deciding whether or not to join a subsidiary company's board.

Guide to Boardroom Practice No. 10, "Holding Companies and Subsidiaries," available from the Institute of Directors, 116 Pall Mall, London SW1Y 5ED, £3.95.

Business courses

Effective speaking and presentation for the business executive, London, October 8-9. Fee: £285 per person. Details from Course Organiser (GM18), Management Development Centre, City University Business School, Frobisher Crescent, Barbican Centre, London EC2Y 8HB. Tel: 01-920 0111. Telex 263896.

Japanese management practice in UK II, London, October 8. Fee: £400 (includes invitation to the "Japanese Business Entertainment Evening"). Details from MOA Foundation, 25/28 Old Burlington Street, London, W1X 1LB.

Marketing consumer goods, Maidenhead, October 5-8. Fee: £660 plus VAT for IM members, £775 plus VAT for non-members. Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berkshire, SL6 9QH. Tel: Bourne End (062 85) 24922, ext 29.

Cultures and competitive strategies, Singapore, October 13-16. Fee: members $450, non-members $495, guests $120 per guest. Details from Ms Neddy Campbell, Dept of Management Studies, University of Hong Kong, Hong Kong. Tel: 5-8592267. Telex 71919 CEREB HX.

Electronic financial services, London. October 15 and 16. Fee: £480 (plus VAT). Details from the Financial Times Conference Organisation, Minster House, Arthur Street, London EC4R 9AX Tel: 01-621 1355. Telex 27347 FTCONF G.

Le Martyre de Saint Sébastien/Salzburg Festival

Max Loppert

There are two Salzburg Festivals; they run concurrently, share the same facilities, and appear in a single programme list, but their aims differ very widely. The first is the *ne plus ultra* of glossy international festivalism (if one may coin the abstraction), the place where money-no-object musical and operatic events (many of them masterminded by Herbert von Karajan) are concocted for the most opulent audience in the world; at the second, genuinely festive artistic endeavour is the aim, sought out with commitment, care, and concern for the smallest detail.

In the Karajan era, the former festival has tended to outweigh the latter heavily. Now, as that era seems to be moving gently towards its close—even the conductor himself is rumoured to be talking (in vague terms) about a successor—a better balance is being restored between the two. This year, there was the usual quota of *Luxus-aufführungen*: Karajan's massively inflated *Carmen*, *Figaro* and *Flute* in the Ponnelle productions conducted by Levine, *Capriccio* with Tomowa-Sintow.

But there were also two productions of the adventurous kind, performances that made the rest tolerable. The world première of Penderecki's third opera, *The Black Mask*, followed in the recent Salzburg line of Cerha's *Baal*, Berio's *Un rè in ascolto*, and Henze's edition of *Il ritorno d'Ulisse*. It is an exciting work, with a leading performance of tremendous power by Josephine Barstow, and must have a second report to itself.

But possibly even more noteworthy was the collaboration between Maurice Béjart (as choreographer and producer), the conductor Sylvain Cambreling, the Austrian Radio orchestra and chorus, and a large assembly of dancers, actors, and singers, in the service of *Le Martyre de Saint Sébastien*. For the *mystère*—text by D'Annunzio, music by Debussy—is a famous problem piece, and devoted problem-solving of worthy cases is one of the things serious festivals do best.

In 1911 *Le Martyre* had Ida Rubinstein in its title role, lasted at least five hours, aroused the disapproval of the Archbishop of Paris (who forbade believers to attend), and was a failure. Since then, apart from rare stagings, the mystery play has survived in various forms of concert-hall compression, in which the speeches of the saint are excerpted and the instrumental and vocal numbers are given in full (Boulez's London concert performances of this kind are vividly remembered).

Even in this form the work can still cause embarrassment, for D'Annunzio's text is suffocatingly overblown, blazoned with gaudy images, dripping with *fin de siècle* decadent fancies (and wearyingly given to repetition). Debussy himself deemed it a "noble text," for which he had provided "illustrations in sound and rhythms"; Martin Cooper, in his classic *French Music*, has written of "the combination of extreme, if veiled, carnality and theatrical religiosity" to which "not even the beauties of Debussy's choral writing can reconcile us."

In the theatre, however, the work holds some surprises—at least, it did so in the Grosses Festspielhaus on this occasion. Given with Béjart's full command of theatrical effect (however crude some of that may be), in a truncated edition lasting 2½ hours, and undertaken by dancers and singers who could speak without hitch or blush, the whole piece proved far more dramatically interesting than one had expected. The flesh of the libretto may be soft and squashy, but the bone structure is firm, and its articulation is genuinely theatrical.

And, heard in a theatrical context, the music sounds even more beautiful. Under Cambreling's super-sensitive direction it seemed at times to act almost as an antidote to the grossness of the words; above all it was the increased linear and harmonic refinement of the late Debussy that held the ear, the increased austerity and "interiorisation" of gesture, sending shoots back to the third act of *Parsifal* and forward to the limpid neo-classicism of Stravinsky's *Persephone*. The focus of the performance was the music of martyrdom, so chaste and concentrated in expression (wonderfully pure singing of exposed entries by the Austrian choir) that it provided the experience with a pure central core. If Erik Satie's declared aim was "l'art dépouillé"—art stripped naked—nothing in Satie achieves that end more serenely than the best of *Le Martyre*.

The production (designer Maurizio Balo) took place in a semi-circular arena, raised to hold the choral ranks. The vulgarity of modern touches such as the shiny American automobile bringing on the Emperor, was held at bay by the wit and speed which they were carried off; likewise, though much of Béjart's dance imagery is from his most common stock, it was put across with sufficient commitment to draw the sting of criticism. Eric Vu-An, nobly direct in word and movement, was the Sebastian; the cast also included the excellent French actors Catherin Samie and Didier Sandre (Emperor), and the exquisite singers Christine Barbaux, Joselli Ligi, and Colette Alliot-Lugaz. The production is shared with La Scala and Monnaie, and comes to Brussels this season.

Eric Vu-An and Didier Sandre

The Sleeping Beauty/Edinburgh Festival

Clement Crisp

The Sleeping Beauty is the most demanding of ballets, and any company presenting it makes claim to all the resources proper to this ultimate challenge of the classic academic dance. There are—or there should be—no uncertainties as to text or style, or to manner of presentation; Petipa offers no hiding places for the insecure or the merely well-intentioned.

It is sad, then, to report that the Ballet of the Grand Theatre, Warsaw, making its debut at the Edinburgh Festival on Monday night, should have realised so little of the splendour of a work which, if it does not have splendour, has nothing. There may be extenuating circumstances: the Playhouse has not much to recommend it as a frame for a production, and the need to accommodate a staging to unfamiliar touring conditions may explain something of the skimped air of the decoration and certain infelicities in performance. But even this cannot excuse the matter of the version itself, nor the manner of dance performance.

The staging is by Pyotr Gusev, one of the leading figures of Soviet ballet as dancer and producer, now in his 80s. A programme note unwisely avers that we must accept his view as "most faithful" to Petipa's first presentation. Were this so, then we should also have to accept massive cuts in the action, including the excision of the hunt scene and the opening court sequence of the Prologue, as well as some insensitive musical and choreographic truncations elsewhere. What we see, in fact, is an editing of the original (which has been admirably documented by Professor R. J. Wiley in his recent *Tchaikovsky's Ballets*) that denies dramatic logic and, worse still, the strong armature of Chaikovsky's score as framework for the glories of Petipa's dances.

From this first and major disadvantage, the Warsaw dancers cannot recover. In perfunctory design, with improbable scrims to suggest the forest that hides the sleeping Beauty; with a text that invokes the drama in cursory fashion, the artists of the Grand Theatre Ballet go through their paces with enthusiasm but little finesse.

They do not manifest much refinement of classic style. With orchestral tempi generally slower than we are accustomed to (the Scottish Chamber Orchestra labours somewhat under Bogdan Oledzki's baton), the choreography has an emphatic and ponderous air, and I welcomed all the more the emotional brightness of Emil Wesolowski as a bold Carabosse, got up to look like Irving as Richard III. But this interpretation — and the four dignified suitors for Aurora in Act 1 — apart, it cannot be said that *Beauty* is well treated by the company. Ewa Glowacka, the Aurora, seemed nervous, and offered little of that radiant physical assurance that Petipa demands, nor did her Prince, Mariusz Malecki, suggest any great ardour or physical verve.

There is no pleasure in reporting on this impoverished evening, which is surely a less than flattering portrait of the company. The production seemed an unwise calling card for a first visit.

Tristan und Isolde/Bayreuth

Andrew Clark

After a two-year rest, the 1981 Bayreuth Festival production of *Tristan und Isolde* staged by Jean-Pierre Ponnelle and conducted by Daniel Barenboim has returned with major cast changes. The merits of the production itself need not be rehearsed here in detail. It has always ranked as one of the most concentrated and flattering examples of Ponnelle's theatrical imagination, particularly in its prismatic illumination of the night-day axis and its ability to inhabit that other world of romantic oblivion from which the two lovers interpret their loney destiny.

The stunning visual aesthetic and Barenboim's far-sighted linear understanding of the score would be compensation for the casting weaknesses of most other *Tristan* performances—but this particular collection of singers needs few apologies. Of prime interest this year was Peter Hofmann's first attempt at Tristan. He had to face plenty of doubters (myself included), none of whom had been taken in by his part in the Bernstein recording, drawn an act at a time from three widely-spaced concerts.

In the event his performance on stage at Bayreuth turned out to be much better than expected, given the qualification that Hofmann singing Wagner is always going to be strong on looks and acting, weak on line and vocal beauty. Clad in a slim black leather outfit and with a mane of dark brown hair, Hofmann is almost certainly the most handsome Tristan since the war, and also the youngest-looking. These assets — together with his instructive command of the principles of stage movement, intelligently refined for Tristan — explain why he has been able to build such a huge career through live performance unaided by recording work.

But in spite of some improvement in recent years, the basic vocal deficiencies remain — the apparent lack of a technique, the congested voice production and usual crop of ugly notes. At several points in the performance the *tessitura* seemed uncomfortably high for him. The redeeming factor was his stamina, unexpected in a heldentenor who has confined himself hitherto to the less demanding territory of Siegmund, Parsifal and Lohengrin. There was no noticeable pacing of the voice in the first two acts — "O sink hernieder" sounded quite refined — and the final act was free of the shouting and embarrassing histrionics of some better-established exponents of the role. Whether the voice will stand up to this pressure in the long term is another matter.

Illness forced Jomine Altmeyer, this year's chosen Isolde, to cancel after the first performance. Ingrid Bjoner deputised for the second, and Catarina Ligenza took over for the remainder. Miss Ligenza, returning to Bayreuth after an absence of almost 10 years, may no longer combine all the attributes of her younger colleagues — the absolute steadiness of Johanna Meier or Miss Altmeyer's expanse of volume at the climaxes—but she makes up amply with her audibility, her sense of timing and phrasing, and her vital, shining personality. Thanks to the chemistry of her partnership with Hofmann, and the superlative singing of Waltraud Meier as Brangaene, Ekkehard Wlaschiha as Kurwenal, and Matti Salminen as Marke, the performance gradually assumed that special quality of intensity one is looking for in every Tristan.

Television/Antony Thorncroft

Hostages to very different fortunes

With the hand of the censor clamping down on the lens of the news camera in South Africa it is up to the dramatist to report events in that smouldering country. *Asinamali*, a BBC play by Mbongeni Ngema (of *Woza Albert* fame) about five inmates in a South African jail told you more about the crisis there than a bevy of documentaries or news reports. It offered little hope of a negotiated solution.

First produced in Johannesburg last year, *Asinamali* provoked controversy and riots—at one performance a mob burst into the theatre and killed the producer. It was the kind of incident that would have fitted neatly into the script, for from all the energy generated by the cast there is a whiff of violence scarcely beneath the surface.

The prisoners take it in turn to explain their incarceration; one is in for thieving, another for sleeping with his employer's white wife. But they join with the politicals in seeing just one solution to their troubles—bloody revolution. By using song and dance to intensify the emotions *Asinamali*, (translated as Nothing to Lose) makes British agitprop look as anemic as alcohol free lager.

Director Ross Devenish eliminates the broader view to keep the issue stark. Rarely have actors taken on the camera in close up so openly; rarely has a political commitment been promoted so challengingly; rarely has the white liberal conscience been so confronted by the seeming inevitability of shedding blood for the achievement of change. This was not the weekly TV play; more a declaration of war.

LWT's summer filler for *Week End World*, *Fortune*, is unlikely to send the British to the barricades, even though it concentrates on the 20,000 millionaires in the country whose collective wealth equals that of 20m of their compatriots.

Fortune began with a financial Top of the Pos, a rundown of the richest families in the country. The Royal Family remains impregnable in the pole position, followed by the Duke of Westminster, rubbing along on around £2.5bn. There is then a large drop to the shopkeepers — the Sainsburys and the Moores, worth less than £1bn.

The hero of the film was the Marquess of Bath who, like most aristocrats, is just a temporary janitor of the family estate, with all the worries of maintenance and few of the pleasures of extravagance: his son spends his time entertaining Americans at Longleat so that the picture frames can be re-gilded.

The villain was asset stripper Christopher Moran, who hopes to make £8m speculating on the Gideon Bible. He was shown knowing the price of everything and the value of nothing, not least the name of the artist who painted the picture he was buying to stock his Scottish mansion.

The programme made its points entertainingly, even if it was on the look out for easy targets. It is idiotic that men like Bob Reid, chairman of Shell UK and with responsibility for keeping the economy afloat, should earn less than a young City broker. *Fortune*, wisely, will not come up with any solutions. Its strength will be sweeping views of grand houses inside which self-conscious tycoons pass the canapes and exchange small talk.

The most affecting programme of the week was easily *Prisoner of Consciousness*. Clive Wearing was a brilliant classical musician when a virus struck him down, wiping away much of his brain and, in particular, the sector containing his memory. He now, to all intents and purposes, awakes from the dead many times a day, with the constant shock of rediscovering his wife and surroundings. Naturally his response tends to be the same, a verbal incantation of tetchy disbelief. Yet he retains his musical memory. Taken back to his old college, Clare, he tentatively eases the organ into an anthem: later he wil have no memory of the event. His wife Deborah is obviously an angel, but even Jonathan Miller could offer little help or comfort in a personal tragedy of almost incomprehensible sadness.

It is fortunate for Percy Grainger that Ken Russell has moved on from tearing apart composers to producing TV commercials, for it was a very tumultuous personality which emerged from Barrie Gavin's biopic of the Australian composer, shown on ITV on Sunday night in an ambitious production from Central. The key is in his best known work, *Country Gardens*. On the surface the most sunny, superficial, recreation of the English countryside, Grainger in his life scored more sombre and plangent versions, in tune with the dark side of his own life.

Grainger, apparently, was a sado masochist although the programme rather coyly skirted around the issue. There was muttering of sexual misdeeds, and the showing of violent Freudian paintings, but too much was left to the (by now) fevered imagination of viewers. He was also a racist, although his belief in racial purity took some odd turns—he was particularly antagonistic to Germans: Scandinavians, in particular Scandinavian women with a penchant for punishment, were his pet love.

With such a good story *The Noble Savage* could have been more direct. To a great extent it left the morbid psychology to the music, Simon Rattle shining like a TV star in interview, putting the City of Birmingham Symphony Orchestra briskly through its paces. And what bracing stuff it was: Grainger was quite perverse in his scoring yet with our extra knowledge of the man, the reason for his constant searching for novelty became comprehensible. I would have liked more about his folk song collecting adventures in the early years of the century (surely a fine subject for a lengthy TV programme) and more about the "new music" he devoted his declining years to. Despite the gaps, and the tantalising question marks, *The Noble Savage* managed to portray a most intriguing man through his music.

It is the glory of television that the gamut of humanity can be casually laid out within hours. Just before Grainger and his search for intense experience the BBC interviewed John Evans who yesterday celebrated his 109th birthday. Here was placidity personified, the simple annals of the poor, a Welsh speaking miner still living in his childhood cottage outside Swansea with the clock ticking away a life of small pleasures and inner calm—built on chapel, teetotalism, and a morning mug of boiled water.

More performances at Glyndebourne in '87

To meet audience demand the Glyndebourne Festival is planning seven additional performances, and adding a sixth production, to its schedule in 1987. Announcing his plans from the stage at the end of the 1986 season on Friday night, Sir George Christie unveiled a season of 73 performances and two new productions — *La Traviata*, and a Ravel double bill of *L'enfant et les sortileges* and *L'heure espagnol*.

This will be the first time that Verdi's *La Traviata* has been performed at Glyndebourne. The director is Peter Hall, the designer John Gunter, Bernard Haitink conducts and Marie McLaughlin makes her debut as Violetta.

The Ravel double bill will be directed by Frank Corsaro, to designs by Maurice Sendak and with Simon Rattle conducting.

Berg & Dallapiccola/Albert Hall

Dominic Gill

It was brave of the BBC to present such a decisively "unpopular" programme of 20th-century music at Monday's Prom—and sad only to see the audience staying away in such predictable droves. It was a shared evening: the first part devoted to Berg's chamber concerto played by Lontano under their conductor Odaline de la Martinez, and the second to a concert performance by the BBC Symphony Orchestra and Singers of Luigi Dallapiccola's one-act opera *Il prigioniero*.

Il Prigioniero is the centrepiece of a triptych of protest works concerned with concepts of imprisonment and freedom which Dallapiccola wrote between 1938 and 1955. It is the darkest and most despairing of the three: the libretto is culled from *La torture par l'espérance* by the 19th-century French symbolist writer Villiers de l'Isle-Adam, and tells the story of a man imprisoned by the Spanish Inquisition who dies after succumbing to "the ultimate torture"—optimism and hope.

I'm not sure that one rushes to join Misha Donat in calling it "one of the finest operas of our century" (why is it so difficult to champion good works without calling them great?)—but it's an impressive piece, well worth reviving, and contains a wealth of attractive and characteristic music. The style is an original and engaging cross-fertilisation (not without perceptible resonances of Berg) of 12-tone and traditional tonal techniques. The music has an admirable consistency, and the opera as a whole—it's just as effective in concert as on stage—an uncommon sense of wholeness and momentum.

The soloists were all American: Dale Diesing and William Cochran, as the Prisoner and Gaoler respectively, in quick and robust voice; Lucy Shelton, who has the passionately discursive prologue to herself, the Mother. The conductor, firm and eloquent, was David Atherton.

At the start of the evening, Berg's Chamber Concerto had Peter Frankl and Mark Lubotsky as piano and violin soloists—both perfectly tuned to Miss Martinez's gentle, warmly lyrical direction. I found it an immensely enjoyable reading: just a shade sleepy at climaxes maybe, but of a clarity and calm cohesion that gave ample compensation.

Coppélia/Rome Opera Ballet

Freda Pitt

Fernando Bujones' departure from American Ballet Theatre has brought good fortune not only to Royal Ballet audiences but also, *in extremis*, to those of the Rome Opera Ballet. At the end of a season which it would be excessively polite to define as lack-lustre, both the company and the public enjoyed at last the opportunity to see classical dancing at its best.

Coppélia was the last work, and only ballet, offered during a rather skimpy summer season at the Baths of Caracalla.

The theatre is not a historic one like the even larger arena at Verona and can therefore be moved elsewhere in the area. The large size of the stage and auditorium (with chairs, not stone steps) makes it impossible for most of the audience to see the dancers' features clearly. Since *Coppélia* contains a large number of mimed sequences, it is hardly suitable for such a setting.

On the night I attended at least, Carla Fracci withdrew at very short notice from the role of Swanilda, to be replaced by Ana Batafogo. This was a wise decision on Fracci's part, for the role of Swanilda makes technical demands that she would have had great difficulty in meeting. Botafogo on the other hand—who danced with the Sadler's Wells Royal Ballet a year or two ago—is young, bright and light. She has a good *rapport* with Bujones (with whom she had already appeared in the work), she has strong feet and a large, open style of dancing that fits in well with her partner's.

Enrique Martinez' production, which has been in and out of the Rome repertory for nearly 20 years, is a crude and conventional one, and at the interpretative level Botafogo did not rise above it: she and Franz both remained cardboard characters, like all the others. Piero Martelletta's caricatured nincompoop of a Coppélius was light years from Alexander Grant's well thought-out performance two evenings earlier at the Royal Festival Hall.

Dr Coppélius can be a wonderful mimed role, even in a traditional production, and it occurred to me how well Rudolf Nureyev could perform it, rather than still attempting the juvenile lead as he did with London Festival Ballet. Watching Bujones airily (and aerially) clear Dr Coppélius' table and then (among his best moments) bound with long, high, stylishly executed leaps round the stage in Act 3, I could not help feeling that youth was an unreplaceable commodity here.

On the other hand, when it came to the botched wedding scene, I thought back nostalgically to Nureyev's much richer and more human characterisation, so well matched by Lucia Truglia's delightful Swanilda, which is sadly unknown in her native Rome.

Both Bujones and Botafogo would probably give less perfunctory interpretations in a real theatre.

"The Maintenance Man" at the Comedy

John Alderton, Gwen Taylor and Susan Penhaligon star in Richard Harris's new play *The Maintenance Man*, which opens at the Comedy Theatre on September 1.

It is directed by Roger Clissold and designed by Tim Bickerton, with lighting by Ron Beattie. Bill Kenwright produces.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

August 15-21

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

Noh by Torchlight (Takegi Noh). A special treat in Tokyo's relentless summer heat is outdoor Noh performances by firelight, held in the evening cool at shrines, offering a rare chance to experience Noh in its original outdoor setting. The effects of strategically-placed fire caskets are perfect for the other worldy atmosphere of Noh. Programmes include specially chilling ghost stories to alleviate summer heat – a Japanese tradition. The tiny pocket books, A Guide to Noh and Guide to Kyogen (available at hotel bookstores) give the plots. Very popular and usually held at weekends, see Tokyo papers for details. Book early to avoid disappointment.

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

NETHERLANDS

Amsterdam, Carre Theatre. China's Peking Circus (ends Sun, matinées Sat, Sun). (225 225).

FINANCIAL TIMES

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Wednesday August 20 1986

Australia gets it right

AUSTRALIA'S international creditors ought to be relieved: the budget unveiled yesterday more than lived up to expectations and was as draconian as could have been wished. In response to a terms-of-trade deterioration unparalleled since the Great Depression, Mr Paul Keating, the Treasurer, has delivered Australia's most austere budget for 30 years. The deficit planned for next year represents a big reduction on this year's outturn and would have been unthinkable a few months ago. The fact that it is now thinkable is due in no small part to Mr Keating's trenchant efforts to awaken ordinary Australians to the economic facts of life.

The hope must be that the domestic sacrifices announced yesterday will be enough to put a firm floor under the Australian dollar, which has been in free fall against both the yen and US dollar for much of the past 18 months. A sizeable decline was necessary in view of the collapse of Australia's export prices but the actual fall has exceeded what was dictated by fundamentals. Part of the problem was that the tough talk of "banana republics" and of "going the way of Argentina," tailored for domestic consumption, also scared the life out of foreign exchange markets.

Ungainly accord

There are now several reasons for taking a cautiously optimistic view of Australian prospects, always assuming that the budget measures and continued wage restraint can be made to stick. The first is that Mr Bob Hawke's Government has demonstrated incontrovertibly with this budget that it is no longer interested in half-hearted measures. It knows that it will not be re-elected unless it can cure the economic malaise. At the same time, markets have nothing to fear from a change of government: the opposition would, if anything, be imposing even tougher cuts. The only economic recipe on offer in Australia is austerity.

The second reason for cautious optimism is that the debt build up and the widening of the current account deficit are largely the result of forces in the world economy quite beyond Australia's control. It is not Mr Hawke's fault that the prices of virtually all of the country's exports — services as well as minerals and agricultural produce — have simultaneously declined. If the economic mess were purely the result of inappropriate domestic policies, creditors could have much less confidence in the present Government's ability to make the necessary adjustments.

Australia's many critics should remember, for example, that the Hawke Government, through its ungainly accord with the unions, has managed to depress real unit labour costs by more than 7 per cent since it took office early in 1983. The budget promises further real wage cuts this year and next; promises which, given the growing domestic sense of realism, will probably be delivered. In Britain over the same period, a hands-off approach to the labour market has coincided with a rise of nearly 20 per cent in real unit labour costs. This, in turn, has meant much higher unemployment than in Australia.

Positive effects

The third reason for optimism is that there are signs of a turnaround on the external account. The sharp depreciation of the Australian dollar is already having an impact: import volumes fell by more than 10 per cent at an annual rate in the first half of 1986. Owing to the J curve effect, the volume improvement is not yet curbing the current account deficit but it may begin to do so by the end of this financial year. The worst mistake financial markets could make would be to expect an impossibly swift adjustment of the current account. In the longer term, the positive effects of depreciation will be reinforced by the budget-induced deflation of domestic demand and a possible improvement in commodity prices.

The danger now is that the Hawke Government will regard its admirable fiscal retrenchment as a sufficient rather than a merely necessary response to the terms-of-trade collapse. The budget needs to be followed by a more vigorous deregulation of the industrial economy; this might just be easier to achieve now that the present crisis has brought home the danger of dependence on minerals and agriculture. Australia, however, cannot be blamed for relying on its natural resources any more than the UK can be blamed for exploiting North Sea oil; nor can it be expected to transform itself overnight into a Japan or South Korea.

Gorbachev tests the West

MR MIKHAIL GORBACHEV knows the world is waiting with something approaching bated breath as to whether he will, or will not, meet President Reagan this year or early next year at a summit. He also knows that his much-vaunted unilateral moratorium on nuclear weapon testing by the Soviet Union for the past year has had, from the Soviet viewpoint, dismally little public impact in the West.

So the adept tactician that now inhabits the Kremlin has decided to link the two issues more closely than ever, by announcing a further six-month extension of his unilateral test moratorium and giving Mr Reagan an "historic opportunity" to sign a comprehensive test ban treaty at a summit this year. At the very least this must give the West, and the US, in particular, cause to re-examine its objections to the Gorbachev proposal.

Is it a propaganda ploy? In good measure, yes. Mr Gorbachev made clear that the diplomatic gains of extending the moratorium outweighed the security risks that many Soviet *citizens (for which read Soviet* military, of course) felt were involved in continuing not to test nuclear weapons. In fact, he was being more than a little disingenuous about the impact of the moratorium on the Soviet military arsenal. The Soviet Union had carried out a brisk series of tests just before it announced the moratorium a year ago. It may thus have completed, as the US claims, its *latest cycle of nuclear weapon* modernisation. Therefore the self-denying ordinance of a moratorium is not in fact denying it much, while catching the US neatly in the midst of its weapon modernisation programme.

So far, however, the propaganda gains have been pretty small for Mr Gorbachev. It has been a matter of frustration and puzzlement to Soviet officials *over the past* year that the anti-nuclear lobby in the West which seemed so strong two or three years ago over the deployment of Pershing and cruise missiles in Europe and in the "nuclear freeze" movement in the US has not really taken up the test ban issue.

One must, to some extent, share the Soviets' puzzlement, if not their frustration. Perhaps it is that Pershings and cruise were very visible additions to the nuclear stockpile but once deployed become part of the European landscape. Perhaps it is that people only feared above-ground tests that were banned years ago, and regard the Chernobyl disaster as an extraordinary aberration.

But there is at last a certain shift, most significantly in the US Congress. The House of Representatives has voted this month for a one-year ban on all but the smallest US nuclear weapon tests, if the Soviet Union agreed to a similar ban with on-site verification. It now seems, too, that the Reagan Administration is beginning to give some ground with a proposal to reduce the frequency of weapons tests in parallel with mutual reductions in the US and Soviet arsenals. That, of course, could take a long time. But it does tie the nuclear test issue to what may become the real considerations surrounding a test ban—namely, the issues of stockpile size and quality, a reliability and modernisation, rather than of verification which has blocked progress for so long.

Emerging debate

Recent advances in seismic monitoring have, in the view of some Western scientists, somewhat lessened the need for the strictest on-site verification controls inside the Soviet Union, just as Soviet leaders have begun to talk, albeit in the *most general terms*, about opening its test sites to foreign inspection. What has been so far lacking from the Soviet side is any detailed discussion, either in direct talks with the US or in the Geneva disarmament conference, about how verification would work on-site.

Similarly, there is an emerging Western debate about whether tests are essential to maintain reliability and *modernisation of the US*, and for that matter British, nuclear arsenals. Maybe these goals can be achieved without having to keep triggering warheads off.

It may be no bad thing at all if Mr Gorbachev forces Western governments to take another look at the important issues involved.

The Airbus/McDonnell Douglas talks

Bidding to break into Boeing's airspace

By David Marsh in Paris

THE STAKES are steadily mounting in an aerial poker game between Europe's Airbus Industrie and McDonnell Douglas of the US which will have a decisive influence in shaping the international airliner market of the 1990s.

The two aircraft manufacturers, both at present streaks behind the dominant Boeing in the dogfight for civil jet sales, have been exchanging proposals on possible co-operation for several months.

In a bid to come up with the best commercial, technological and political package for new long-range airliners planned to enter service in four or five years' time, the two groups are spinning out an elaborate web of contacts with airlines and aerospace companies around the world to work out collaborative deals and win launch customers.

Even in an industry known for tortuous negotiations, the amount of wheeling and dealing is exceptional—partly because both manufacturers know that, if they continue their present gruelling competition for second and third place behind Boeing, one and possibly both of them will lose.

"There is an element of bluff and double bluff going on," says Mr Geoffrey Pattie, the Minister responsible for aerospace at the UK Department of Trade and Industry.

Arguing that it would increase Airbus's chances on the key US market—highly difficult so far for the four-nation consortium to penetrate—Mr Pattie has come out strongly in favour of a link with McDonnell Douglas.

The urgency of the issue was highlighted again yesterday when Airbus released sales results for the first half of 1986 showing a sharp decline over the first half of 1985.

The next few weeks could prove crucial in deciding whether Airbus and McDonnell Douglas will turn their duel into a duet aimed at dislodging Boeing from its pinnacle.

Top executives of Airbus and Douglas Aircraft, McDonnell Douglas's commercial jet company, *are likely to have a further meeting before the start* of the Farnborough Air Show in the UK at the end of the month.

They will be trying to flesh out ideas for linkages between two programmes which have been on the drawing board for several years. These are Airbus's planned A330 and A340 aircraft, for which the consortium is still trying to raise $2.5bn to $3bn in development finance from its European government backers, and Douglas's oft-postponed MD-11, a stretched version of the faithful-serving DC-10.

Airbus has one key disadvantage compared with its two rivals from the US. They have a substantial marketing edge with US airlines and have also enjoyed sharply higher military and space orders from the Pentagon resulting from President *Reagan's defence* build-up.

The consortium, linking Aerospatiale of France, Deutsche Airbus (a subsidiary of Messerschmitt Boelkow Blohm of West Germany), British Aerospace and Casa of Spain, is dependent on government funds to back future projects.

The French and West German governments—to a greater degree than the British Government—give Airbus Industrie strong political support. But with budgetary funds in short supply all round, all three governments are insisting on rigorous proof of economic viability before they put up more cash.

The chances of fulfilling that condition—and the prospects of Airbus eventually making money—would certainly be enhanced by genuine partnership *with McDonnell Douglas*, along the lines of the successful transatlantic ties in aero-engines forged notably by Rolls Royce of the UK and Snecma of France with both General Electric and Pratt and Whitney.

Even after ploughing into aircraft development as much as $5bn of European taxpayers' money during its 16-year existence, Airbus has not made any profits yet. Officials admit that no overall return on investment can be expected until well into the 1990s, given the sums needed for development in the next few years.

The dilemma over Airbus financing has been compounded by the persistent complaints of the Reagan Administration—prodded by Boeing and by Congress—that support for Airbus infringes international fair trading rules. It is an argument which the Europeans find questionable in view of the large-scale research and development aid habitually handed out to the US civil and military aircraft industry through federal subsidies.

Mr Pattie, quoting a Department of Commerce report which says that the US Government has spent more than $47bn on aeronautic R & D since 1970, says the US claims of unfair support in Europe are "a bit rich."

Mr Henri Martre, the chairman of state-owned Aerospatiale, who argues that the US aircraft sector is the most heavily protected in the world, says: "If goverments think Europe can compete with the Americans using purely liberal measures, then they are fooling themselves.

In Bonn, the conservative-liberal government has emerged as probably the strongest backer of the new Airbus projects.

West German officials say Airbus needs to be supported to prevent airlines from being exposed to Boeing's monopoly pricing power—and also to provide an alternative standard of airliner safety.

Officials believe Airbus has no choice but to persevere in broadening its aircraft range.

With Boeing chalking up $26bn in airliner orders over the past 18 months, and taking 77 per cent of the overall jet market in the first half of this year, both Airbus and Douglas have a common interest in survival.

The MD-11 and A340 are both aimed at tackling Boeing's virtual monopoly in the market for long haul medium-to-high capacity aircraft.

Airbus and Douglas believe that the large profits Boeing is able to make on its long haul 747s are used to cut prices in others part of its range where it competition—a view shared by governments in Bonn, Paris and London.

Both Douglas and Airbus have been talking almost continuously during the last two years with leading international airlines to make sure that the MD-11, which could be in service by 1990, and the A340, planned to appear about 18 months later, match the market's requirements.

Lufthansa, the West German national carrier, has been pressing for the A340 for years, and the Bonn government has already decided to put up DM 200m next year to back A330/340 development.

But Airbus and Douglas have also been weighing the disadvantages of launching similar aircraft at the same time. The attractions of co-operation have loomed larger as Boeing has gone from strength to strength. After an impressive string of orders for its 737s and 747s, as well as a continued boost from Pentagon military contracts, Boeing has just announced a 30 per cent jump in net income in the first six months of 1986.

Douglas has put forward the idea of participating in Airbus's medium range bi-motor A330, which will incorporate the same design for fuselage and wings as the four-engine A340.

Near the *end* of last month, Douglas confirmed its interest in keeping the momentum going, calling for more talks about a stake in the A330. It has also suggested using Airbus's new wing technology for the A330/340 in a future stretched MD-11 which could confront directly the Boeing 747-400.

The chief obstacle to any agreement is that one side would have to make sacrifices—either Airbus would have to give up the *A340* or Douglas the MD-11—leaving it highly vulnerable to changes in policy by the other partner.

Because Airbus has been conceived as a political instrument to stand up to US competition, there is strong doubt over whether France, above all, would go along with any plan to abandon the A340. French officials in recent weeks have underlined their commitment *to building both the A330* and the A340.

Scepticism in Europe over the original Douglas proposals earlier this year was prompted by memories of two previous offers of collaboration from the US company in recent years. These subsequently came to nothing and were regarded mainly as efforts to divert Airbus's energies from its own projects.

Douglas, after repeatedly claiming during the past two years that it was on the point of launching the MD-11, is now judged by senior Airbus executives to be at last serious *about the project.*

Whatever happens, Mr Jean Pierson, the president of Airbus, who has been handling this year's negotiations with Mr Jim Worsham, the Douglas chief executive, knows that time is not on Airbus Industrie's side.

The consortium has made great efforts in carving out a place in the wide-body jet market through the A300 and A310.

But two years *after entering* a new sector through the narrow-body A320, due to come into service in 1988, Airbus is still having a bumpy ride.

Sales—above all of the A320 — have been sufficient to irritate Boeing greatly over the past two years. But demand for the A300 and A310 has fallen this year and output of the aircraft at Airbus's Toulouse headquarters is only three a month, a far cry from the eight which was foreseen a few years ago.

Airbus says it is still going through the phase of needing maximum financial support to safeguard the investments already made.

"It's a fact of life—I've seen it in oil and chemicals. When you're trying to break into a market dominated by one or two suppliers, you've got to buy your way in," says Sir Austin Pearce, *chairman of British* Aerospace.

The company will make a formal application in the autumn for launch aid from the British Government to cover part of the £500m it says it needs to develop the new wing elements for the A330/340.

Sir Austin says he would like the Government to put up 85 to 90 per cent of development costs—in line with the proportion of aid, through soft loans, given to MBB through the Bonn Government.

"The higher the figure they put in for, the less likely they are to get it," says Mr Pattie, pointing out that British Aerospace is now fully back in the private sector. In practice, BAe appears unlikely to be able to cover more than half the £500m from the Government.

In the final analysis, the source of Airbus' troubles is that it is a juvenile in a business where profits take generations to build up—and have traditionally been associated with strong support from military contracts.

Airbus has only around 540 jet airliner sales to its name against well over 5,000 for Boeing and 2,500 for McDonnell Douglas.

The world's first modern airliner, the ten-passenger Boeing 247 monoplane which first flew in 1933, was a civil development of the company's B-9 bomber of 1931. The growth of civilian business evolving from military projects has been a feature of Boeing's development for jet airliners since the war.

Military and space sales (overwhelmingly from the US Government) accounted for about 40 per cent of Boeing's revenue last year—even though it was a bumper year for civilian sales.

About 70 per cent of McDonnell Douglas' sales last year came from combat aircraft, providing a considerable cash cushion.

Wall Street aerospace analysts are speculating that any signs of further cutbacks in US defence spending in coming months will make the company even keener to secure civilian orders — which could increase pressure for it to join forces with Airbus.

It would be ironic if one influence pushing the two groups together was to stem from the US Congress.

HOW THEY COMPARE

	Seats	Range (statute miles)
Boeing 747-400*	400-490	9,200
Boeing 757-200	190	3,000-4,600
Boeing 767-300ER*	260	6,600
Boeing 737-400*	150	2,680
McDonnell Douglas MD-87	130-140	2,700
McDonnell Douglas MD-11†	330-340	7,700
Airbus A300-600	270	4,060
Airbus A310-300	220	5,270
Airbus A320*	150	2,170
Airbus A330†	330	3,700
Airbus A340†	250-300	6,300-7,500

* Not yet in service.
† Not yet launched.

Men and Matters

Lowe to fly the Challenger

Donald Lowe, a tall and seemingly *unflappable* Canadian, who as a General Motors executive 15 years ago helped get the Vauxhall plant at Luton, England, into better shape, has taken on a new challenge.

He is to be president of Canadair, the Montreal maker of the Challenger business jet, and aviation and defence products. The company has been acquired by Bombardier, the heavy transit, snowmobile, and defence products group, for C$120m.

Canadair operates from an old wartime plant which started by building amphibians and, in the post-war years, prospered by building American fighters under licence for several European countries.

Canadair is now facing the problem of trying to sell the Challenger in a depressed world market against such tough competition as the French Dassault Falcon, and the US Gulfstream. Challenger has less than 15 per cent of the market. But it needs 25 per cent to survive, according to Lowe.

In North American business circles, Lowe has the reputation of a man who gets things done.

He played a major role in setting up a General Motors assembly plant near Montreal. And he was hired by Pratt and Whitney, Canada, to put the pieces together after a disastrous and violent strike. His success in that episode led to him becoming president of the parent Pratt and Whitney commercial products division in 1980. Two years later he went back to Canada to head up Kidd Creek Mines, the Ontario zinc-silver producer.

Lowe is an unusual combination of engineer, and marketing man, with an additional flair for human relations. It will take him two years, he estimates, to get a new team working *together at Canadair. If anyone* can save the Challenger he probably can.

"Strewth, that didn't take long—it's a Flying Income Tax Inspector"

Winning ways

Even the federal German Chancellor thinks twice about getting into a scrape with the West German Bundesbank—*for* the simple reason that the bank has a tendency to win.

If this political truth needed further demonstration, it would be found in the central bank's recent victory over the foreign ministry in the matter of its New York representation.

For over 20 years, the Bundesbank has been represented through the West German consulate in Manhattan. But last year it began pressing for its own preserve. The bank should be represented in its own *most important financial* market in an independent manner and style commensurate with its importance, it reasoned.

No sooner was the idea floated than the foreign ministry raised a series of objections. There were protracted negotiations in Bonn. But as usual, the Bundesbank won.

It is scheduled to move into its new Manhattan office suite next month. With a rental of $400,000 a year, it will be more expensive than the $33,000 a year digs at the consulate.

But then, maybe Bonn decided this was a small price to keep the Bundesbank happy. After all, it has generated more than DM 60bn in profits for the federal treasury in the last five years.

Markets music

City of London *cognoscenti* are still savouring the memory of a musical send-up of the way of life in the financial quarter which was sponsored by accountants Deloitte Haskins and Sells last December.

They had Fritz Spiegl conduct the BBC's Langham Chamber Orchestra and "a chorus of speculators" in Samuel Butler's Narcissus. The work, written in the 1880s, reflects the author's unhappy experiences in the stock market and is called "a dramatic cantata on the Stock Exchange."

In spite of Butler coming out of his market transactions a poorer, and probably wiser, man, it is a jolly, jokey piece. Now there is a chance for a wider audience to hear it as Radio 3 is to broadcast a recording of the original performance at 11 pm on August 25.

Butler is best remembered as the author of The Way of All Flesh. Spiegl, who had a rare *copy of his* stock exchange cantata, recommended it when Deloittes were looking for a suitable "corporate entertainment."

Butler had a life-long love affair with Handel's music and the Narcissus is a Handel pastiche. Butler had lost £3,500 on the Canada Tanning Extra Company when he chose the stock exchange for his setting. And doubtless he had in mind that Handel was twice bankrupt, and lost £300 in the South Sea Bubble affair.

The plot will be easily understood by modern investors. Narcissus, a simple shepherd, and Amaryllis, a prudent shepherdess, have abandoned pastoral pursuits and embarked on a course of speculation upon the stock exchange. This results in the loss of £100 on which they had intended to marry.

But it all ends on a bullish note—

"How blest the prudent man
and maiden pure,
Whose income is both ample
and secure;
Arising from Consolidated three
Per cent Annuities, paid
quarterly."

Play the game

The seizure of the north west shelf rig Rankin A, off Western Australia, by 300 disaffected production workers had its funny side. After Woodside Petroleum cut telephone communications with the mainland the labour force found its own solution.

Messages were passed on to their families and the Perth media via hollowed-out potatoes. Nicknamed "potatograms," by the men, they were hurled overarm from the rig to a support barge. There, sympathetic colleagues relayed messages.

When Woodside's management found that its veil of silence was breached it had the barge moved further from the rig.

But the strikers had an answer. They found several cricketers in their 300-strong force accustomed to fielding at long-on, extra cover and other places where the grass grows high and the throw-ins are long. So potatoes continued to reach the barge.

Open-minded

Yet another intellectual car sticker seen in Chelsea: "I'm neither for nor against apathy."

Observer

THE LEGAL PROFESSION

A less protected world

By Hazel Duffy

LAWYERS ARE facing the most critical challenge to their privileged position this century. The cosy practices of the past are increasingly threatened by competition from outside the profession, and the legal system itself is coming under closer scrutiny.

Mrs Thatcher's distaste for restrictive practices in all walks of life is slowly making itself felt in the professions. At the same time, some are beginning to be affected by deregulation in the financial services. Both moves find the professional bodies looking increasingly outdated and defensive, with practice rules which frequently tie the hands of their members.

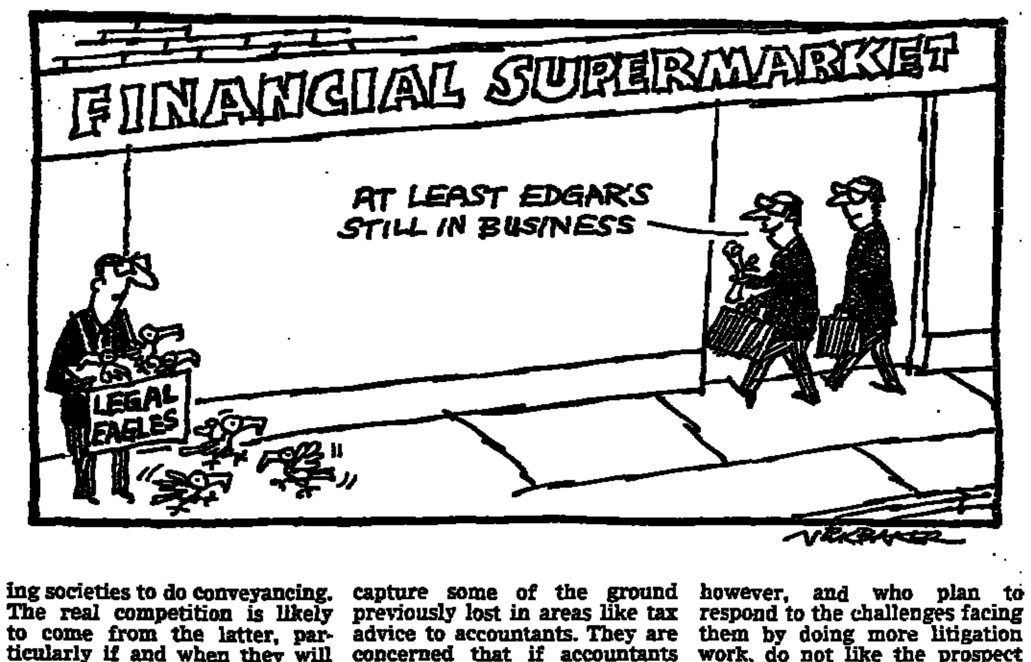
Sir Gordon Borrie, director-general of the Office of Fair Trading, will be reporting tomorrow on the extent to which these rules constitute a barrier to efficiency in the workings of the professions. His report follows a year-long investigation.

Solicitors have already felt the cutting edge of the Government's campaign to promote competition. In a move which heralds the most far-reaching changes in the profession in well over a century, the Government has broken the solicitors' monopoly in property conveyancing. This business provides the major source of income for most small firms.

Championed by the Consumers' Association and a few backbenchers, notably Mr Austin Mitchell, MP, the Building Societies Act became law at the end of July. The blow was softened, in the event, by giving Lord Hailsham, the Lord Chancellor, the power to prevent institutions offering conveyancing services to the same clients to whom they extend property loans, on the basis that there could be a clash of interest.

Nevertheless, solicitors believe the Act poses a serious threat to high-street practices up and down the country which derive an estimated 60 per cent of their fee income from conveyancing.

They will find themselves in competition with the new profession of licensed conveyancer, whose training and examination rules are being drawn up by a government-appointed body. Licensed conveyancers will operate independently, or be employed by banks and building societies to do conveyancing. The real competition is likely to come from the latter, particularly if and when they will be legally able to offer a home loans package that includes conveyancing.



Conveyancing solicitors think they are left with little option but to increase their workload in other areas, or to become more competitive with the high street branches of the banks and building societies.

Solicitors who do a lot of conveyancing want to be able to go into partnership with estate agents and surveyors. To do this, the Law Society's rules must be changed. At the moment, they expressly forbid mixed partnerships, as do the rules of accountants' professional bodies (and the law) relating to auditors.

Sir Alan Leslie, president of the Law Society (1985-86), gave an indication of the difficulties surrounding the issue of mixed partnerships when he said, just before retiring in July: "Conveyancing solicitors . . . are on a collision course with the strong opposing views held by City firms and those which specialise in litigation."

The last two categories are not mutually exclusive, but each fears mixed partnerships for different reasons. Commercial solicitors—who also usually have litigation departments—have diversified and expanded in recent years, and tried to recapture some of the ground previously lost in areas like tax advice to accountants. They are concerned that if accountants and solicitors enter into partnerships, the accountants—who are the more aggressive profession, has a closer connection with the more competitive world of commerce—may well dominate.

It is not something which the big City firms have much time to worry about. Many of them are awash with work, created by the high level of activity in the stock market, privatisation, and, at least until recently, legal preparation work for the exploration and development of oil and gas resources. The partners frequently work long hours, seven days a week, with handsome rewards in tow.

But Sir Max Williams, Master of the City of London Solicitors' Company—a former Law Society president and senior partner in City firm Clifford-Turner—thinks the Law Society should tackle the problem of mixed partnerships before the Government does. "I believe there will be legislation which will permit partnerships between solicitors and accountants and also they will become part of the new financial services 'supermarkets.'" He says the society should take the initiative, rather than react after the event, as it did on the conveyancing issue.

Those solicitors who are not interested in such partnerships, however, and who plan to respond to the challenges facing them by doing more litigation work, do not like the prospect of their colleagues going into business with estate agents. They can see the image of their profession being dragged down to the high street shop level—the last thing they want when they are pressing to enter the barristers' province.

Their plans raise perhaps even more fundamental issues about the structure of the legal profession in the UK. Barristers have grown this century to be the elite of the profession. They like to think of themselves as the specialists compared with the solicitors' general practitioner role—a view that will be increasingly inappropriate as solicitors specialise more, albeit in different areas.

While the barrister/solicitor relationship works well for many practitioners, large numbers of solicitors are eyeing the barristers' exclusive patch in the higher courts with envy. Many young solicitors, who feel that the conveyancing loss was a vicious blow, have declared themselves in favour of the two wings merging in the longer term. Meanwhile, the Law Society Council, and its conference, is due to debate the proposal of a working party that solicitors and barristers should have a common training, after which a small number would go on to specialise as barristers. This would, in practice, represent the first step towards fusing the two professions.

Pressure on barristers is coming not only from solicitors, however. Despite excellent representation in political circles (including the Prime Minister, who qualified as a barrister), the Bar has come under an unprecedented degree of public criticism recently and has launched a major public relations campaign in the past year or so to explain its purpose to outsiders. In maintaining its special position in the legal system, it has the unswerving support of the Lord Chancellor who told the Bar's first conference earlier this year that he found it "extraordinary . . . that there should actually be people who advance the idea that barristers and solicitors should no longer be separate professions each practising their specialities."

But the greatest potential pressures on lawyers could come from outside the profession, as the nature of the legal system itself comes under greater scrutiny.

Demand for legal services is rising rapidly for a number of reasons: greater consumer awareness of rights under the law; an increase in property disputes related to divorce; growing resort to litigation by companies, as well as individuals; and the growth of legislation affecting numerous sectors, like trade unions.

To meet this demand, the number of solicitors and barristers has increased substantially since 1979 when the Royal Commission on legal services reported. But the system within which they work is less efficient, with the courts unable to cope with the volume of business.

The Government thinks that the main solutions lie in reforming legal procedures, enabling the process to be speeded up while still satisfying consumer demand for greater access to the law.

A start has been made on identifying ways to make pre-trial procedures speedier and more cost-effective—a standing commission has been set up by the Lord Chancellor, which will work independently with the Law Society and the Bar.

Inevitably, change will mean an alteration in the working practices of lawyers—a profession which can simply no longer afford to be caught standing still.

The financial revolution

Fiduciary institutions and fraud

By Ian Hay Davison

BANKS, building societies and investment businesses have two things in common; all are fiduciary institutions owing a rigorous duty of care towards the customers whose money they hold.

All three of these financial institutions are subject to reforming legislation. This reform has been prompted by two concerns: the quality of accounting and regulatory supervision and the worldwide shift towards freer investment markets. The Building Societies Bill and the Financial Services Bill are before Parliament, and a Banking Supervision Bill is expected soon.

These reforms raise serious questions for accountants, auditors, advisers and directors. Two matters in particular are currently receiving close attention. I must declare an interest as both were raised in 1979 in the Inspector's report on the Grays Building Society of which I was joint author.

The first concerns statutory backing for an adequate system of internal control and an audit opinion on that system's adequacy; the second is for a closer relationship between regulatory supervisors and auditors.

In their July 1985 report on fraud, the Institute of Chartered Accountants' Working Party highlighted a satisfactory system of internal control as the first line of defence in preventing fraud. It recommended that such a system be a statutory requirement for fiduciary companies.

By internal controls is meant the entire corpus of procedures within an organisation which ensures that cash does not go astray, that debts are collected and bills paid in due time to the right people. In fiduciary institutions the matter goes further to include proper segregation of clients' and depositors' funds.

Proper procedures include segregation of duties so that no defalcation can take place without collusion among members of staff; and regularly enforced annual holidays, since many fraud cases have started with the discovery of corrupt practices while the perpetrator was on holiday.

Such internal control procedures should be backed up by second line measures: specifically appointing a finance director; adding to the board an appropriate number of non-executive directors; establishing an internal audit department; and appointing an audit committee of the board to whom the internal auditors and the external auditors can report directly. The law covering fiduciary institutions should require that auditors report on the adequacy of such controls.

The Chancellor's Committee of Inquiry into the adequacy of banking supervisory procedures, set up after the Johnson Matthey affair, recommended a dialogue between bank supervisors and auditors to "assist each other to carry out their respective functions." This recommendation alarmed professional accounting institutes for three reasons.

First, the audit relationship is dependent upon confidence between auditor and client. That confidence depends significantly upon the auditor not divulging information obtained in the course of his work to any third party. The Chancellor's Committee's proposal was seen as a fundamental breach of this principle.

The second concern related to the nature of the auditor's role: he is not a source of information, but a source of opinion upon information supplied by his client. It is not to the auditor that the supervisor should turn for information, it is to the client bank, the client building society or investment business.

Third, there is still some concern about the proper role of the auditor when fraud is present. The auditor's duty is to express an opinion on his client's accounts: he should perform his duties in such a way that he has a reasonable expectation of identifying material fraud.

If, however, the fraud, although perhaps substantial in absolute terms, is small in relation to the size of the business, he has no duty to find it, but if he does find fraud then he has a clear duty to report it to the directors.

The Treasury appears to accept the nature of the auditor's role in reporting on the client's figures, but Clause 76(8) to the Building Societies Bill, for which the Treasury is also the sponsoring department, gives the auditors power "if they are satisfied that it is expedient to do so in order to protect the investments of shareholders or depositors," or if requested by the authorities, to report directly to the supervisory authority "notwithstanding any obligation of confidence."

This is clear legal authority to breach the rule of confidentiality and we may expect this to apply in the Banking Supervision Bill and under the new regime imposed by the Financial Services Bill. Although the clause gives the auditors the legal right to breach the restrictions of confidentiality it also imparts a duty to consider if the matter is of such gravity that the auditor should approach the authorities.

Normally, as the authorities made clear, such disclosures will be done with the informed knowledge of the client. But what if the directors themselves are on the fiddle? In the graphic phrase of one auditor, what do we do when the auditors are on their way to the Bank of England and the directors are on their way to the airport?

Currently, the Institute of Chartered Accountants' guidance note makes it clear that members have no legal obligation to disclose crime or civil wrongs unless the damage likely to arise from non-disclosure is of a serious nature and that they should first take legal advice — which usually discourages voluntary disclosure.

As the Fraud Working Party of last August said, the Institute should redraft this so as to encourage an auditor to report any suspected case of serious fraud by a client. This is the least that those who audit fiduciary bodies should do: guidance must be drafted to cover the vital but rare circumstances when it is not appropriate to tell the board.

In the new world of the financial services revolution, directors, auditors and regulators must learn new rules. Directors must require adequate internal controls. Auditors must accept that, when dealing with financial institutions, they have a responsibility to depositors or client investors, even if it may cause them to differ with the directors of their clients; they must adjust their understanding of client confidentiality. For their part, supervisors are required to recognise that the City is no longer susceptible to regulation by word only.

The author is an adviser to Arthur Andersen & Co, a former chairman of the Accounting Standards Committee, and former deputy chairman and chief executive of Lloyd's.

Letters to the Editor

Trading in property

From Mr P. Hutley

Sir,—I read with considerable interest John Plender's article on unitisation (August 15) and remember well his articles on property bonds that he wrote over a decade ago. His mixture of scepticism and enthusiasm is well balanced and he gently puts forward some of the points for and against property unitisation, in whatever form it is going to take, during the next few months.

When my then company offered property bonds to the public in the early 1970s it was at a time of comparative boom in the property market and done in response to the desire to participate in the entrepreneurial opportunities that property development and improvement offered at that time. The machinery was simple and prices were based upon independent valuations. The emphasis now appears to be to attract purer investors, be they small institutions or individuals, to purchase portions of large commercial buildings through a newly devised mechanism involving, on the one hand, instruments to be known as Pincs or a rival form of security approved by the Royal Institution of Chartered Surveyors and for which special legislation is being approved that will be referred to as property units. Either method appears to be quite simple in operation and being a security capable of providing a secondary market with some form of Stock Exchange listing.

It is ironic that after so many years of being without a freely traded security in property as has existed in the US and Australia for nearly 40 years, two methods should now emerge together. As either one will need all the energy and enthusiasm of its sponsors to gain acceptance it is to be hoped, for the sake of the property industry, that they will unite rather than compete.

Several important issues have to be faced at this early stage in the development of a new market and one is the size of the unit to be issued. Clearly this should be of sufficiently small denomination to allow the growth of an active secondary market enabling investors to divest as well as invest. The strength and ease of the secondary market will be the crux of success.

Already there is some public anxiety that the quality of the buildings available in this new market will leave something to be desired but it must be recognised from the start that some properties are better than others and have different characteristics and therefore yields and that there must be scope for professional advisers to point out advantages and disadvantages in just such a way as surveyors do when advising on whole buildings.

Presumably some certificate concerning the quality of the structure will be issued by a firm of professional structural engineers that will need to be renewed from time to time. Indeed the standardisation of practices of this sort will help the acceptance of the market and, as in property bond days, real acceptance only comes after a code of conduct is published and some self regulatory group is formed.

There are of course a number of other problems that unitisation will bring in its wake that involve more than just good estate management decisions. Ultimately buildings have to be rebuilt, refurbished, relet, and passed on to different types of owners. The most prime buildings ultimately become secondary and even prime positions deteriorate in just such a way as some secondary ones improve. How will the disparate owners of such buildings reach unanimous decisions?

Peter Hutley.
Wintershall Estate Office,
Wintershall, Bramley, Surrey.

Protecting the consumer

From the Secretary, Authorised Independent Investment Advisers' Association

Sir,—Your item "Accountants may swamp SROs for membership" (August 8) mentions that the Institute of Chartered Accountants is considering whether it could assume a limited range of supervisory responsibilities if its immunity demands are not met.

If this means that recognised professional bodies would be allowed to apply a lesser set of rules than those applied by SROs, then the institute had better think again!

If a member of the public wishes to seek investment advice from a chartered accountant (who, if authorised, would be giving advice as an incidental activity to his main profession), it is only right that the quality of advice and standard of service given should be as good as that which would have been received from a person whose business it is to provide investment advice, such as an independent intermediary or company representative. Should chartered accountants, or indeed any of the professions, wish to offer incidental investment advice, then they should be subject to no lesser rules than those businesses which would be authorised by means of their membership of an SRO.

To allow lesser standards to apply would make a mockery of consumer protection.

Steve Draper.
4 Lion Chambers,
John William Street,
Huddersfield.

Professional profits

From Mr N. Mullan

Sir,—I read Mr Aldous' letter (August 16) on the reform of the accountancy profession with disbelief. The claim that a professional is somehow a superior being uninterested in the pursuit of profit is one of the longest-running myths put about by the professions. Apart from flying in the face of human nature it does not accord with current, or previous, practice.

N. J. R. Mullan.
Flat 6,
69-71 St George's Drive, SW1.

Accumulation units

From Mr G. Pingstone

Sir,—I am astonished to learn from Mr Eric Short's article (August 9) that the DTI is not happy with "accumulation" units as a method of reinvesting the income from unit trust holdings and thinks that the public is confused when units of the same fund have different values. I consider that the industry is right in believing that this well-established method is understood by unit holders and, moreover that it has positive advantages for them.

In the first place the number of units held under the accumulation method remains constant and the unit holder is not faced with the need to keep track of small periodical additions in order to arrive at the total value of his holding at any time.

Perhaps equally importantly, under the accumulation method the unit holder is not faced with having to look after numerous pieces of paper showing the number of additional units (to several decimal places) resulting from income reinvested over a period of years and all of which have to be renounced separately as and when he wishes to realise his total holding under the alternative reinvestment procedure.

It would seem that in most instances under the alternative reinvestment procedure the full initial investment charge is levied in respect of the periodic purchases whereas there is clearly scope for a reduction in this respect as the result, inter alia, of the smaller amount of "paper work" involved under the accumulation procedure.

In the light of the foregoing one is left wondering just what the DTI is thinking about in trying to kill the well-established "accumulation" method. Could it be that none of those responsible has ever held units under which reinvestment by the other method has operated for more than a very short period?

Gordon W. Pingstone.
88 Manor Way,
Beckenham, Kent.

Assistance to shipping

From the General Secretary, National Union of Marine Aviation and Shipping Transport Officers

Sir, — I refer to the letter (August 5) from the deputy director-general of the General Council of British Shipping.

I agree it is a fact of life that shipping is international and highly competitive. It is, however, only those who look but do not see who can claim that assistance by the European Community and our Government is needed to "hold the ring against protectionism." The reality is that almost all the fleets of all the flags of the world are assisted by governments. Shipping is no longer a free market and has not been so for many years.

GCBS, under the guidance of its member-companies, loudly proclaims a doctrinaire belief in freedom from Government subsidy while, at the same time, demanding special tax privileges (ie, a form of subsidy). The most vocal companies force the GCBS into this ludicrous position and then, themselves, flag out to obtain the benefit of subsidies, low tax, low labour or safety standards or bilateral deals by other governments.

As the deputy director-general said in his closing sentence: "We envisage a continuing and substantial worldwide role . . . if necessary under any other flag." Hardly a recipe for the maintenance of a British fleet.

What is needed in shipping is less doctrinaire policies by all who have influence and a greater willingness to fight for the survival of a home merchant fleet providing jobs, foreign exchange, contribution to balance of payments and support for foreign and defence policies. That is true at both national UK and European Community level.

Eric Nevin.
750-760, High Rd, E11.

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MORATORIUM 'PROPAGANDA WITHOUT COST TO MOSCOW'

US denounces Soviet N-test offer

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE REAGAN Administration has quickly made clear that its opposition to a complete ban on nuclear weapons tests remains unshaken, despite the latest call fur such an agreement by Mr Mikhail Gorbachev, the Soviet leader.

US officials immediately denounced Mr Gorbachev's latest offer, accompanied by an extension of the Soviet testing moratorium, as "a lot of propaganda" without cost to Moscow. Washington does not want the idea to take firmer root either in Western Europe, or on Capitol Hill, where pressure is mounting for new US arms control initiatives, to the Adminstration's dismay.

Mr Larry Speakes, the White House spokesman, responded to Mr Gorbachev's speech on Monday by stating bluntly: "A nuclear testing moratorium is not in the security interest of the US, our friends, or our allies."

He repeated the Administration's claim that, among other reasons, the US needed to continue testing to modernise its forces so as to catch up with Moscow.

US officials suspect that one motivation behind Mr Gorbachev's remarks, besides hoping to sway Western Europe, is a desire to encourage efforts by the Democrat-controlled House of Representatives to impose a one-year ban on all but the smallest US tests, provided the Soviet Union does likewise and agrees to on-site verification.

The Administration has repeatedly responded to Soviet test ban proposals with calls for improved verification. But it has made quite clear that its hope is to improve monitoring of existing treaties dating from the 1970s, which limit nuclear tests, not to move towards a complete ban.

A complete ban remains an ultimate goal, according to the Administration, but not until the US no longer depends on a nuclear deterrent.

It could only be considered, in the words of Mr Speakes, after "broad, deep and verifiable arms reductions, substantially improved verification measures, expanded confidence-building measures and greater balance in conventional forces."

The Administration, however, is unlikely to be able to stifle debate on the issue. Opponents of nuclear testing argue that the US could stop now and still retain a military advantage, because it is ahead of the Soviet Union in warhead design, and has conducted some 200 more tests than Moscow over the years.

They also argue that weapons can be adequately tested without the need for actually detonating a nuclear explosion.

The Administration, on the other hand, insists that the reliability and safety of the US stockpile cannot be maintained without tests. It also wants to continue testing to develop new weapons, including the X-ray laser that could play a big role in Mr Reagan's Star Wars space defences.

"Nuclear weapons will remain, at least for the foreseeable future, a key element of our deterrent," Mr Speakes said. "In such a situation, where both the US and our allies must rely on nuclear weapons to deter aggression, a moderate level of nuclear testing will be required."

Many US officials are confident that pressure from the Soviet military will ultimately force Mr Gorbachev to resume Soviet testing.

They assume that the Soviet military must be unhappy with the ban, imposed by civilians for political, rather than military reasons.

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Hanson to sell Durkee foods business

BY LISA WOOD IN LONDON

HANSON TRUST, the UK conglomerate, is to sell its Durkee Famous Foods business, acquired earlier this year in its $930m takeover of SCM, the US group, to Reckitt & Colman, the British household products and foods group, for $120m cash plus the assumption of $20m of debt.

Sir Gordon White, head of Hanson's US operations said this and other recent sales businesses meant Hanson had now raised more than the purchase price of SCM. Yet Hanson was still left with major SCM activities, including its titanium dioxide business, Smith Corona typewriters and Allied Business forms, which together are thought to have produced pre-tax profits of around $120m last year on sales of over $1.25bn.

Durkee Famous Foods supplies the retail grocery market with spices, olives and a variety of convenience food specialities such as sauces and fried unions. Its turnover is about $210m, with pre-tax profits of some $13m a year. Net tangible assets at March 31 1986 were about $37m. The business, whose fortunes have been volatile, is unterstood not to have made the returns on capital Hanson wanted.

The business however fits neatly into Reckitt's US activities. Reckitt, with about 23 per cent of its £1.2bn ($1.86bn) a year turnover already coming from the US, owns a similar speciality food business in the US called R T French. Reckitt & Colman said: "In regional terms the two businesses are complementary with Durkee's strength lying in the north east and midwest and with R T French's lying in the south-east and south-west. The acquisition will greatly enhance Reckitt & Colman's overall competitive position in the US grocery trade."

Reckitt & Colman, whose turnover in the US will be lifted to around 30 per cent of group sales, said it envisaged higher returns from these food businesses through "significant economies in distribution, selling, marketing and manufacture."

The acquisition will be financed by Reckitt & Colman primarily in US dollars from internal resources and by third-party borrowings. Completion of the deal is subject to necessary approvals in the US.

Sir Gordon White said the sale of Durkee Famous Foods substantially completed planned restructuring of Hanson's North American operations with SCM's integration into Hanson Industries – the US arm of Hanson Trust – largely completed.

Since Hanson acquired SCM, after a bitter court battle, it has disposed of some paper manufacturing facilities ($160m), the group's headquarters ($36m), Sylvachem ($30m) and most recently Glidden Paints, acquired by ICI last week for about $580m.

Hanson will retain Durkee Foods, an industrial foods business whose activities include frozen foods. "This business is more akin with the Rose Young frozen foods business which we acquired with the purchase of Imperial," said Mr Martin Taylor, a director of Hanson Trust.

Six firms to manage BR pension fund

BY CLIVE WOLMAN IN LONDON

BRITAIN'S largest-ever set of investment management contracts, arising from the reorganisation and privatisation of the British Rail pension fund, have been awarded to three merchant banks, an insurance company, a stockbroker and a small Scottish independent firm.

The trustees of the British Rail Superannuation Fund and Wages Grade Fund – which form the UK's fifth-largest pension fund with £4.5bn ($6.7bn) of assets – have provisionally appointed six investment managers. No official announcement is due, however, until all the details of the contracts have been agreed.

Warburg Investment Management, a subsidiary of S. G. Warburg of London which already manages nearly a third of the British Rail portfolio, has been reappointed and will continue to manage the same amount, slightly less than £1.5bn of assets.

However, another merchant bank subsidiary, Hill Samuel Pensions Investment Management, which also manages more than £1bn of assets for the pension fund, has failed to be reappointed. It has yet to recover fully from poor investment performances in 1983 and 1984.

Three investment houses are to be given pools of assets worth £750m each. These are Prudential Portfolio Managers, a subsidiary of Prudential Assurance, Morgan Grenfell Asset Management and Robert Fleming Investment Management. Phillips and Drew Fund Management, a subsidiary of the stockbroking firm Phillips and Drew, is to manage £500m of assets.

The most surprising decision, however, is the allocation of £250m to Martin Currie, a small Edinburgh firm whose main business has been investment trust management and which has only recently moved into the UK pension fund market. Only four years ago, Martin Currie was under attack for its poor investment performance and suffered the loss of two investment trusts. Since then, however, management changes have led to a dramatic improvement.

All the managers have been given a general investment brief and not asked to focus on specialist sectors or countries. The details that have yet to be finalised cover administration, accounting requirements and the setting of charges, although the managers have already given an indication of what they will be asking. The total investment management fees will amount to between £15m and £20m a year.

The selection of investment managers arose from the decision of the trustees to disband the in-house British Rail investment management team.

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Pressure on US rates

Continued from Page 1

months down to an annual rate of 2.2 per cent. It means that GNP must grow by 4.2 per cent in the second half if it is to meet the Administration's latest forecast of 3.2 per cent for the year as a whole, a prospect that most private economists find highly unlikely.

Inflation in the second quarter, as measured by the GNP fixed weight price index, was running at an annual rate of only 1.9 per cent in the second quarter, after 2.5 per cent in the first. This was the lowest since the spring of 1972 and was largely a result of plunging energy prices, the department said. Corporate profits rose by 4.1 per cent, following a decline of 3 per cent in the first quarter.

Mr Robert Ortner, Under-Secretary of Commerce for Economic Affairs, said that in one respect the latest report was better than last month's preliminary data.

The smaller increase in stocks, revised downwards from $19.6bn to $11.6bn, meant that businesses were positioned for the third quarter and likely to increase orders.

London's lead in forex

Continued from Page 1

der 1 per cent of the total volume of business.

Spot deals made up 63 per cent of banks' trading in New York, almost the same percentage as in 1983.

The Fed included non-bank investment houses in its survey for the first time, since groups such as Salomon Brothers and Goldman Sachs have taken an increasing share of the market. Those groups have been particularly prominent in the newer financial instruments such as options.

In gross terms, the Bank of England survey uncovered transactions totalling $115bn a day, while the Fed's survey showed turnover of $63.1bn a day by banks and $13.5bn by the non-bank investment houses. However, those numbers include a good deal of double counting, and have been adjusted downwards to give the final figures of $90bn, $50bn and $8.5bn.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	31	88	Malta	S	31	88	Rhodes	S	30	86
Algiers	S	33	91	Edinburgh	C	14	57	Manchester	C	16	61	Rio de J'o	R	26	78
Amsterdam	F	16	61	Faro	S	25	77	Manila	C	32	90	Rome	C	28	84
Athens	S	30	86	Florence	F	32	90	Melbourne	S	13	55	Salzburg	S	25	77
Bahrain	S	37	99	Frankfurt	R	16	61	Mexico City	S	25	77	San Francisco	S	24	75
Bangkok	S	34	93	Funchal	C	24	75	Miami	R	31	88	Seoul	C	29	84
Barcelona	S	28	82	Geneva	C	22	72	Milan	S	26	79	Singapore	F	31	88
Beirut	S	30	86	Gibraltar	S	29	84	Montreal	C	26	79	Stockholm	C	15	59
Belfast	R	12	54	Glasgow	C	13	55	Moscow	C	19	66	Strasbourg	C	18	64
Belgrade	S	35	95	Guernsey	S	15	59	Munich	R	21	70	Sydney	S	17	63
Berlin	C	20	68	Helsinki	F	15	59	Nairobi	—	—	—	Taipei	S	33	91
Biarritz	F	21	70	H. Kong	S	31	88	Naples	F	33	91	Tangier	S	25	77
Bombay	F	29	84	Innsbruck	F	23	73	Nassau	S	33	91	Tel Aviv	S	29	84
Bordeaux	C	20	68	Inverness	R	13	55	New Delhi	F	31	88	Tenerife	S	27	81
Brussels	C	13	55	Islamabad	S	30	86	New York	C	27	81	Tokyo	R	24	75
Budapest	S	28	82	Istanbul	S	26	79	Nice	S	33	91	Toronto	C	27	81
B. Aires	F	13	55	Jakarta	C	31	88	Nicosia	S	36	97	Tunis	S	37	99
Cairo	S	33	91	Jersey	F	16	61	Oporto	S	23	73	Valencia	S	31	88
Cape Town	C	17	63	Jo'burg	S	19	66	Oslo	F	17	63	Venice	C	25	77
Caracas	S	28	82	Lima	C	18	64	Paris	C	16	61	Vienna	F	26	79
Casablanca	S	23	73	Lisbon	S	24	75	Peking	F	26	79	Warsaw	S	21	70
Chicago	F	16	61	London	C	15	59	Prague	F	19	66	Washington	C	23	73
Cologne	R	15	59	Los Angeles	S	31	88	Reykjavik	S	10	50	Zurich	R	15	59
Copenhagen	F	17	63	Luxembourg	C	15	59								
Corfu	S	30	86	Madrid	F	27	81								
Dallas	F	24	75	Majorca	F	33	91								
Dublin	R	14	57	Malaga	S	24	75								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

EEC and US move to ease 'pasta war'

BY TIM DICKSON IN BRUSSELS

THE EEC last night agreed to lift punitive duties on US walnuts and lemons, putting into effect the first stage of the settlement of the so-called transatlantic "pasta war."

Under the terms of the recent agreement between Mr Clayton Yeutter, the US trade representative, and Mr Willy de Clercq, the EEC's external trade commissioner, both sides pledged as soon as possible to unscramble the various retaliatory measures taken when the dispute became more heated last November.

The US was understood yesterday to have kept its side of the bargain by simultaneously pegging back the tax on EEC pasta imports from 40 per cent to its original level of 1 per cent.

The action will bring relief to US exporters of walnuts and lemons, sales of which to the EEC in the first five months of this year plunged by about 85 per cent by comparison with the same period of 1985. Duties on lemons will go down from their present level of 20 per cent to 8 per cent while the fall for walnuts will be even greater.

The US action, meanwhile, should give a boost to EEC pasta exports, which fell 28 per cent in the early part of this year, although EEC subsidies to some extent eased the pain.

The question of the level of EEC subsidies, in fact, remained one of the sticking points during negotiations and will be the subject of further talks over the next 12 months.

Next month, EEC foreign ministers will study the full text of the accord, which commits both parties to some other significant measures to liberalise trade between the two blocks, notably by easing access to the European market for US citrus producers and opening up more opportunities for, among other products, EEC cheese and olives.

It is possible that political opposition to some of the details may be voiced by certain Mediterranean member states.

Tough Canberra budget

Continued from Page 1

for borrowing. Net external debt soared from A$7.3bn in 1980 to A$52bn in 1985 (25 per cent of GDP).

On the revenue side, overall receipts are due to rise from A$64.2bn to A$71.3bn. Proposed cuts in the top marginal personal tax rate to 55 per cent from 60 per cent have been deferred to December 1 from September 1. Mr Keating said a projected further cut to 49 per cent would go ahead as scheduled next July.

Other changes include a 3 cents a litre or 14.4 per cent rise in petroleum products tax, sales tax rises on a range of goods including luxury cars and wine, and a rise in a health scheme tax levy to 1.25 per cent of gross personal income from 1 per cent.

It is thought that the sales tax will give a slight boost to prices but because of hoped-for wage moderation, inflation in 1986-87 will be about 8 per cent, against 8.4 per cent in 1985-86.

In addition to reducing the budget deficit through spending cuts and sales taxes, and thereby, it is hoped, reducing the foreign debt, Mr Keating is also hoping to achieve some measure of wage moderation. That would help to restore international competitiveness.

Mr Keating said assumptions underlying the deficit projection include the continuation of partial wage indexation or so-called "discounting."

The Government is looking for further restraint on wages.

Moscow accuses Israelis of arrogance at talks

By Our Correspondent in Moscow and Tony Walker in Jerusalem

THE SOVIET Union yesterday curtly dismissed its talks with Israeli officials in Helsinki on Monday as a session that led nowhere because of "arrogant" and unjustified Israeli insistence on discussing the fate of 2m Soviet Jews.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said there were no plans for future meetings between the two sides, who talked for just 90 minutes in their first discussions for 19 years.

Israel, however, is still saying that there will be further diplomatic contacts, and Western diplomats have emphasised that the most significant event was that the talks actually took place.

Moscow had been far more muted than the Israelis about the meeting since it was announced earlier this month. Mr Gerasimov repeated that Moscow went for exploratory talks on how to give consular assistance to Soviet citizens in Israel and to discuss the property holdings of the Russian Orthodox church there.

He said the Israelis overstepped the intended scope of the discussions by raising questions concerning Middle East tension and the emigration of Soviet Jews.

Mr Gerasimov denounced Israeli's Foreign Minister, Mr Yitzhak Shamir, for saying in Jerusalem on Monday that his country had "valuable property" in the Soviet Union in the form of more than 2m Soviet Jews.

Soviet Jews had not authorised Mr Shamir to speak for them, Mr Gerasimov said. He branded Mr Shamir's statements as "a perversion of the question" and "very arrogant interference in the internal affairs of the Soviet Union."

Since Soviet Jewish emigration fell from a peak of just over 51,000 in 1979 to about 1,000 for each of the last three years. Soviet authorities have been more adamant than ever that Jewish emigration is not the concern of foreign governments. Moscow has increasingly argued that emigration in great numbers is no longer necessary because most Jewish families split up by the Second World War have been reunited.

The Israeli Government had come under strong pressure to raise the emigration issue at the Helsinki meeting. Mr Anatoly Shcharansky, the dissident freed in a prisoner exchange this year, was among those who insisted that the issue of Soviet Jews should be aired.

Mr Gerasimov said the Israeli side had asked Moscow for a reciprocal visit to the Soviet Union if they allowed Soviet officials to come to Israel to inspect property claimed by the Orthodox church.

Maxwell in investment trust bid talks

Continued from Page 1

Most notable, however, is its 1.2 per cent stake in Beecham, the troubled pharmaceuticals group where Lord Keith in a recent boardroom coup ousted Sir Ronald Halstead, the chairman.

The Beecham holding accounts for 15 per cent of Philip Hill's assets, a figure regarded as dangerously high by many analysts. The weakness of the Beecham share price has contributed in large measure to the poor performance of Philip Hill in recent months and prompted growing shareholder unrest.

Barclays de Zoete Wedd, the financial conglomerate, last month put forward a plan for the trust's investments to be changed to mirror more closely the stocks in the US equities indices. That proposal had the backing of the owners of 56 per cent of Philip Hill's shares, including Eagle Star Insurance, the National Coal Board pension funds and the Kuwait Investment Office.

Philip Hill has been attempting in recent weeks to find an alternative to that plan in the shape of a company which would launch a more attractive takeover bid.

Mr Maxwell emerged yesterday as a "white knight," although the two sides were continuing discussions throughout the day on the exact terms of the BPCC bid.

Takeover bids for investment trusts are usually priced in terms of a percentage of the target company's net asset value. BPCC is expected to make a share offer worth between 105 and 107 per cent of Philip Hill's net asset value with a cash alternative worth about 97 per cent.

Philip Hill valued its assets at 337p a share on July 21 this year. Its shares were suspended yesterday at its own request at 323p, valuing the trust at £312m, while BPCC was suspended at 298p.

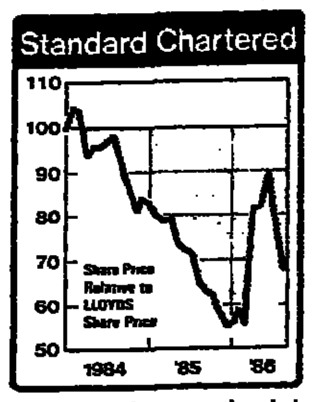
THE LEX COLUMN

Standard lowers in the East

Having published its four-monthly figures in the midst of its defence against Lloyds Bank, Standard Chartered must have had a fighting chance of meeting the market's expectations at the interim stage; but it missed. The misfortune to be trading where currencies are weak or worse, and a veritable collapse in profits from its Far Eastern patch, left pre-tax profits 2 per cent down at £131m, and only a reduction in the tax charge of 17 per cent left room for a decent increase in earnings – though not by the standards of Lloyds.

The question is no longer whether Lloyds is well-shot of its bid, but what the Far Eastern investors, elected yesterday to the board, think they will get out of it. The provision against shipping in Hong Kong and the various Singapore shenanigans reduced Far Eastern profits by 80 per cent and accounted for all of the 50 per cent increase in specific provisions. In the space of two years an important source of Standard's profit has all but vanished and it is hard to see whether, on its own efforts, Standard can restore its business from sluggish economies. Meanwhile, profits from Africa have halved through a mixture of falling currencies and reduced exposure, but Standard has not made provisions against its South African cross-border book.

The new preponderance of low-taxed UK earnings may yet leave room for an increase in the dividend a little better than the 15 per cent promised; but despite the yield support, and those inscrutable Far Eastern board members, the share price fell 15p to 722p.



Australia

The foreign-exchange markets were so alarmed by Mr Keating's talk of banana republics that they still need some convincing. Yesterday's budget, a piece of unparallelled austerity by Australian standards, was good for only 0.5c against the US dollar, which has its own worries about economic growth.

After the gyrations from the Treasurer's office of recent months, the budget measures were eminently firm. Indeed, with government spending set to show no growth in real terms, and sales taxes and a delay in tax cuts likely to take their toll of consumer spending, it is hard to see even Mr Keating's 2.5 per cent economic growth being achieved.

If that sounds good news for the bond market, a great deal is still being demanded: the trades unions may prove resistant to real wage cuts while any further deterioration in Australia's terms of trade would choke off the benefits of devaluation almost before they work through to the current account. The Treasury may have rescued the rating of government issues from downgrading for the moment; but for UK investors, a real yield of 5 per cent can be found rather nearer home, and without the exchange risk.

Philip Hill

On Monday BPCC's executives told anyone who would listen that its imminent big acquisition in the US would not involve the issue of shares. Yet the proposed acquisition of Philip Hill Investment Trust will probably require the printing of as much BPCC paper as a 2-for-5 rights issue. BPCC may be planning to fund the US acquisition with borrowings which can then be repaid by the sale of the eminently blue-chip Philip Hill portfolio, which semantically at least is not the same as a direct share for share acquisition. The alternative prospectus is that the US deal will be genuinely cash financed and that the Philip Hill assets will be disposed of gradually to fund other targets such as Extel.

It looks as though BPCC is on the verge of getting unconditional acceptances to the deal from a majority of the Hill shareholders. They presumably have decided that they want to take cash or BPCC paper now rather than to liquidate an indexed Philip Hill trust in five years' time, as was earlier proposed by Barclays de Zoete Wedd. From here on the choice appears to be between an underwritten cash offer at a discount of about 2 per cent to net asset value, or BPCC paper at what may be a temporary premium of about 6 per cent. The institutions who hold the strings at Philip Hill are likely to be the same ones who will have to do the decent thing when it comes to underwriting another big issue of BPCC shares. Whatever happens the Pergamon Foundation should retain control of BPCC while avoiding the demands on Lichtenstein cash flow that a rights issue would have entailed.

Foreign exchange

The adjective big barely hints at the size of the foreign exchange market worldwide. Totting up turnover figures for the three largest trading centres alone and multiplying by the business days of the year produces a feeling akin to an individual soul contemplating the universe. Yet the volume of information about the market has been quite the opposite. It may even come as a surprise to some participants that, according to the Bank of England's first survey on the market, turnover in London averages $90bn a day, far more than the value of transactions in New York or Tokyo.

The data the Bank produced are of interest and justify a sense of pride in the continued success of the market against tough competition. But they hardly pass the "so what?" test and have little use beyond giving the Bank a better grasp of the basics of the market. It would have been difficult to extract more from the questionnaire's respondents without overburdening them, and perhaps next time the questions could go further. The survey by the Federal Reserve Bank in New York at least has the charm of comparability, showing a 92 per cent rise in business over the last three years. The knowledge that sterling/dollar and D-Mark/dollar trades make up 30 and 28 per cent of gross turnover respectively will hardly produce a change in intervention policy. What such figures do underline, though, is that action by central banks to support or drive down a currency will usually have little effect in itself. The $10bn spent in six weeks of concerted action last autumn to bring down the dollar would have vanished without trace if the market had not already been that way inclined.

FINANCIAL TIMES
Wednesday August 20 1986

Sara Lee unveils $131m bid for Nicholas Kiwi

BY ROBERT KENNEDY IN SYDNEY

SARA LEE, the US food and household products group, yesterday unveiled plans for a A$210.5m (US$131.7m) takeover of Nicholas Kiwi Australasia in the first foreign bid since the Canberra Government relaxed investment rules late last month.

The Chicago company already owns Nicholas Kiwi's operations outside Australia and New Zealand, bought for A$377m two years ago, and has an existing 14.9 per cent stake in the Aspro painkiller and Kiwi shoe polish maker.

Sara Lee said the deregulation measures allowed it to fulfil a long-held wish to take full control of Nicholas Kiwi. This followed the 1984 deal which helped transform the business of the US group, then called Consolidated Foods.

Three weeks ago Mr Paul Keating, the Australian federal Treasurer, dismantled local equity requirements for the manufacturing sector as part of a package of measures – ahead of yesterday's budget – designed to stem the slide in the Australian dollar.

The A$3.80 a share bid price has the endorsement of the Nicholas Kiwi board and values the whole of the company at some A$247.4m. This is more than 22 times the A$11.1m net earnings for the year to June which the Australian company said yesterday it had soon been due to report.

The company said it had brought forward the release of the figure because of Sara Lee's proposed offer. It made net earnings of A$4.58m between January 23 1985, when Nicholas Kiwi International was stripped out, and June 30 of that year.

Sara Lee won the earlier deal in a fierce contest with Reckitt and Colman of the UK, which entered as a rival bidder.

Mr Brian Healey, Nicholas Kiwi's chief executive, said Sara Lee was now effectively buying two things, the Australasian businesses and the executives who manage the offshore assets Sara Lee had already acquired.

The Nicholas, Ramsay and Wicking families are estimated to control more than 40 per cent of the company and stand to make more than A$100m if they accept the Sara Lee bid.

Family members are included on the Nicholas Kiwi board, which yesterday recommended the offer to shareholders. It remains subject to approval under the Foreign Takeovers Act although no opposition is expected.

Deere losses mount to $107m

By William Hall in New York

DEERE, the world's leading farm equipment manufacturer, lost $39.6m, or 58 cents a share, in its third quarter and now seems certain to report its first annual loss since 1933.

The latest loss in the three months to end-July boosted its deficit for the first nine months to $107.4m, or $1.58. Deere earned $30.5m, or 45 cents, in the year ending October 31 1985 and earlier this year cut its dividend for the second time since the onset of the slump in the US farm industry. It blamed the "current pressure on the company's operating results and need to conserve cash." Deere's shares fell by $⅜ to $25½ in early trading yesterday.

Deere's worldwide sales fell by 5 per cent to $973m in the latest three months. Production fell by 13 per cent in the quarter, and North American farm equipment production was down by 22 per cent. For the full year worldwide production is scheduled to be about 11 per cent lower than last year and 23 per cent lower for North American farm equipment.

"Our operating results in 1986 reflect the effects of the continuing steep downturn in demand for farm equipment in North America," said Mr Robert A. Hanson, Deere's chairman. "Industry retail sales of large tractors, combines and other implements have been significantly lower again this year. Industry retail inventories remain high, and price discounting in the marketplace remains extremely intense. The industry still has considerable excess capacity compared with current levels of retail demand," he added.

NOBISKRUG FILES FOR PROTECTION AGAINST CREDITORS

Shipbuilder's last effort

BY RUPERT CORNWELL IN BONN

THE CRISIS in the West German shipbuilding industry has claimed another victim, with the decision of the Nobiskrug yard at Rendsburg in the state of Schleswig-Holstein to file for protection from its creditors, in a last effort to avoid bankruptcy.

Nobiskrug's application for *Vergleich* or composition proceedings was disclosed yesterday by Mr Alfred Lausch, the head of the local branch of IG Metall, the engineering workers union. It comes little more than a month after a similar move by the Harmstorf group, which has three yards on the north German coast.

With a capital of about DM 10m ($4.8m) and about 1,150 workers at its base on the Kiel canal, Nobiskrug is a typical medium-sized West German yard, which in recent years has developed a wide product range, stretching from tankers to roll-on roll-off vessels, ferries and container ships.

Like Harmstorf, however, it has been unable to cope with the drastic fall in new orders, estimated for the whole German shipbuilding industry at between DM 500m and DM 600m this year against DM 2.2bn in 1985. In the virtual absence of new work, Nobiskrug has had to rely on repair work to keep its employees busy.

The prospect that other yards will also have no alternative to closure has forced state governments in northern Germany to prepare a new rationalisation plan, involving mergers and further job losses.

Vergleich proceedings in effect buy time for a company to work out an agreed solution with its creditors – provided that its assets are equivalent to at least 35 per cent of the claims upon it.

● Sea-Land, the big US container shipping line which is being taken over by CSX, the railroad and resources group, has reported a second-quarter net loss of $49m, due mainly to continued erosion in rates and severe overcapacity in the Atlantic, its second-largest market, writes Our Financial Staff.

The loss compares with profits a year earlier of $16.8m, or 71 cents a share, and also includes $21.4m in pre-tax merger-related expenses. For the first six months of 1986, the company recorded a net loss of $59.3m compared with profits of $21.8m, or 93 cents a share.

Hewlett Packard earnings rise 6%

By Louise Kehoe in San Francisco

HEWLETT-PACKARD, the US electronics and computer manufacturer, reported a 6 per cent rise in net earnings for the third quarter, ending July 31, with revenues up 11 per cent.

Earnings for the quarter totalled $123m, or 48 cents a share, compared with $117m, or 45 cents, during the third quarter of 1985. Revenues totalled $1.79bn, up from $1.61bn last year.

Orders placed during the quarter were up 25 per cent over the same period last year, the company said. Revenue from US operations was $957m, up 3 per cent from last year while international revenue totalled $837m, up 23 per cent.

For the nine-month period, HP reported net earnings of $359m, or $1.40, down 1 per cent from the $362m, or $1.41, earned in the first nine months of 1985. Revenues were $5.17bn, a 7 per cent increase over revenue of $4.82bn last year.

Safeway cuts 300 jobs at headquarters

By Our San Francisco Correspondent

SAFEWAY Stores, the giant US supermarket chain, laid off 300 workers at its Oakland, California, headquarters on Monday in what is seen as the beginning of major cost-cutting moves.

Last month the company agreed to a $4.1bn leveraged buy-out with Kohlberg Kravis Roberts, the investment bank, that leaves it with $3bn in debt.

Reacting to the possibility of further layoffs, the union representing Safeway's 117,000 US store clerks and meatcutters threatened strikes and boycotts to protect members' jobs.

So far, no store employees have been fired since the buy-out, but industry analysts are predicting major cutbacks

Edelman sweetens offer for Fruehauf

BY PAUL TAYLOR IN NEW YORK

THE BITTER five-month battle for control of Fruehauf, the Detroit motor vehicle company, appeared close to resolution yesterday as a special committee of independent directors assessed two competing final bids.

Fruehauf confirmed yesterday that it had received a sweetened bid from an investor group led by Mr Asher Edelman which appeared to top an earlier competing $48.50-a-share leveraged buyout bid led by Merrill Lynch, the Wall Street securities firm, valued at $1.1bn.

Fruehauf, which had set a deadline for final bids from the two groups, noted that the Edelman group had increased its bid to acquire the company while the Merrill Lynch group, which includes senior Fruehauf management, had repeated its earlier offer. This provides for a joint tender offer for up to 17.5m shares at $48.50 a share in cash and a package of securities valued at the same price for the remaining shares.

According to Fruehauf, the Edelman group has proposed a new complex deal involving a first stage under which up to 10.9m shares would be acquired at $49.50 a share in a joint tender with Fruehauf – with the company providing $180m and the Edelman group providing $445m for the share purchase.

Under a second stage the remaining shares would be purchased by the Edelman group for either $51 a share in cash or a package of cumulative exchangeable preferred stock with a face value of $51 a share.

Carter Hawley Hale leads the field as earnings rise 50%

BY OUR NEW YORK STAFF

CARTER HAWLEY HALE, the Los Angeles-based US department store group, yesterday reported a 50 per cent increase in second-quarter net earnings, due to higher gross margins and tight expense control. In contrast, second-quarter profits fell at Allied Stores, Dayton Hudson, and Associated Dry Goods.

Carter Hawley, the sixth-largest US department store chain, said net earnings for the fiscal second-quarter had grown to a record $11.6m, or 20 cents a share, from $7.7m, or 1 cent a share, in the year-ago period on sales which increased by 4 per cent to $890.8m from $858.7m. Excluding Holt Renfrew which was sold in early April this year, Carter Hawley said sales increased by 6 per cent.

The latest quarterly results lifted fiscal first-half net earnings to $26.1m, or 56 cents, from $19.3m, or 22 cents, a year earlier. Sales increased by 3 per cent to $1.76bn from $1.71bn.

At **Allied Stores**, the large department store group which recently agreed to buy 10 Gimbels stores from BAT Industries of the UK, second-quarter profits fell from $31m, or 73 cents a share, to $17.7m, or 38 cents, but the 1985 period includes a 41-cent net gain on a property sale, offset partially by a consolidation charge.

For the first six months, net earnings were $38.4m, or 82 cents, against $48.2m, or $1.14, while sales rose from $1.77bn to $1.9bn.

Dayton Hudson, the Minneapolis-based discount and department store retailer, said second-quarter net earnings fell from $40m, or 42 cents a share, to $36.7m, or 37 cents. The six-month profits total emerges at $75.3m, or 77 cents, against $73.4m, or 76 cents, while revenues rose from $3.8bn to $4.2bn.

The company said second-quarter operating profit increases at its Target and Dayton Hudson Department Store units were offset by substantially lower profits at Mervyn's, a clothing retail chain in the western US.

The profits fall was more marked at **Associated Dry Goods**, which is due to be taken over by May Department Stores for about $2.5bn. The second-quarter return fell to $2.96m, or seven cents a share, from $14.5m, or 36 cents, taking the six-month total to $8.4m, or 21 cents, from $23.9m, or 60 cents. Sales advanced from $1.9bn to $2.03bn.

A better performance was reported at **Federated Department Stores**, which lifted second-quarter net from $25m, or 51 cents, to $34.5m, or 70 cents. Six-month earnings advanced from $75m, or $1.54, to $81.9m, or $1.67, while sales rose from $4.38bn to $4.56bn.

Unilever builds up stake in Naarden

By Our Amsterdam Correspondent

UNILEVER, the Anglo-Dutch consumer group, has built up a stake of almost 33 per cent in Naarden, the Dutch fragrances and flavourings company with which it is holding takeover talks.

Unilever announced on Monday that it was in negotiations with Naarden aimed at a possible £110m ($164m) bid for the fragrances group which has made a weak start to trading in 1986.

Naarden's net income dropped 19 per cent to Fl 11.2m ($4.8m) in the first half.

Sales fell 5 per cent to Fl 337m in the first half.

INTL. COMPANIES and FINANCE

Terry Dodsworth on reaction to Araskog's policy of streamlining

Wall St warms to ITT-CGE deal

WALL STREET has reacted swiftly and unequivocally to ITT's dramatic merger of its telecommunications division with CGE of France. Within a week of the announcement of the company's strategic switch, the shares shot up by 37 per cent, and at their current price of just under $54 a share, they have begun to recapture some of the lustre of the great years of Mr Harold Geneen's chairmanship of the group.

Mr Rand Araskog, the present chairman, has emerged from a long struggle in Mr Geneen's shadow to attract plaudits of his own. It is tempting to see this response as a reflection partly of the current fads of the investment community.

The agreement represents a push towards deconglomeration in a period of acute scepticism over conglomerates: it *diminishes the group's dependence* on manufacturing; it makes financial services a more important element of ITT's make up; and it gives the company the cash to go out and buy back some of its shares. In short the deal could hardly have appealed more to Wall Street's present preoccupations.

Mr Araskog has shown himself to be acutely sensitive to the way the stock market thinks these days. Without giving away too much about his longer term strategy, he has stressed to investors the following points about the CGE agreement.

● The $1.5bn of cash that the group will receive from the transaction will be partly used to buy back shares—a favourite way these days of giving shareholders a tax-efficient bonus.

At a news conference in New York Mr Araskog would not say how many shares would be acquired, but he noted that the group had been a heavy issuer of shares for acquisitions—he estimated that between 25m and 30m of ITT's 141m shares had been created for acquisitions—and said that many of the companies bought in this way had since been sold.

● The deal also provides further ammunition for cleaning up the balance sheet. Some of the cash not spent on buy-backs will be used to reduce debt, standing at the end of the second quarter at just over $4bn, including both long- and short-term borrowings.

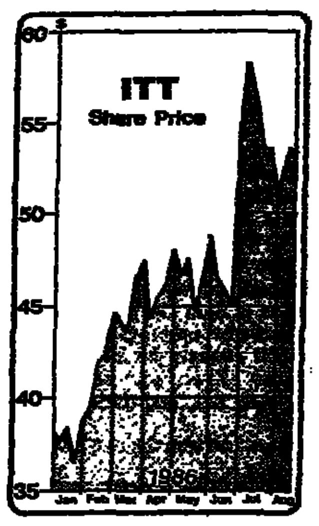
In addition, some $800m of debt will flow out of ITT's consolidated balance sheet and be taken on by the new, jointly-held telecommunications company, in which ITT's 37 per cent stake will be accounted for under the equity method. ITT does not expect to take a write-off on the transaction.

All in all, these changes could reduce the company's debt to total capital ratio to little more than 30 per cent against 36 per cent at the end of the second quarter and 43 per cent in 1979, the year Mr Araskog became chairman. Indeed, by the standards of many modern US corporations, ITT will begin to look low-geared.

● Restructuring and deconglomeration will continue. Further sales were planned, said Mr Araskog, including the forest products operation if the group could find a buyer. At the same time, *although there would be* acquisitions, nothing major was planned. For a company of ITT's size (sales of $20bn last year, including insurance and the telecommunications activities earmarked for change), a big take-over, said Mr Araskog, would be anything over $500m and the company would not be going for anything of that size.

Mr Araskog also emphasised that the group would not be spinning off the Hartford Insurance group by putting out some of its shares to tender. There had been suggestions on Wall Street that this was an option under consideration at ITT following the example of the successful spin-off of Fireman's Fund by American Express.

● There should also be a fairly immediate boost to profits and cash-flow from the deal. On the profits side, there will be the impact of losing a huge division which was performing very badly. On sales of $1.7bn in the second quarter of this year, the telecommunications division generated income of just $3m, and that was only due to profits in the defence and space sector.



In the first six months of this year, telecommunications earned just $10m on sales of $3.2bn.

Research expenditure, a heavy drain on ITT during the development of the System 12 switchgear, will also be cut—from around $1.1bn a year to $550m—while the headquarters staff involved in helping run telecommunications division *reduced from its present level* of 900. The company will, in addition, be far less exposed to foreign currency swings, one of the big factors in its deteriorating financial performance over the past three years because of the concentration of its telecommunications business in Europe. And interest charges will go down.

In addition, cash will be conserved by a sharp fall in capital expenditure to between $360m and $400m from $600m budgeted for this year and $576m in 1985. Finally, the telecommunications group would not be demanding any more investment from ITT for at least two years, said Mr Araskog. He did not elaborate on what might be required after that period, beyond saying that investment might be required in the office equipment field, but clearly in the immediate future there should not be a cash drain on the parent company.

The conclusion of the transaction, added Mr Araskog, should give ITT a flexibility it had never had in his time as chairman. But what will he do with it?

Many analysts in New York would like to see him move much more positively into financial services. ITT Financial, a leading lender to consumer and commercial customers, has proved a sparkling performer in recent years, generating a return on equity of almost 30 per cent. In the first half of this year, the financial services division made by far the biggest profits contribution to the group, with earnings of $79m against $53m in insurance (now recovering from the plunge in underwriting), and $41m in automotive components.

If Mr Araskog agrees with this proposed strategy, he is not publicly admitting it. He says that he wants the group to continue to be both a manufacturing and a service organisation, and he also stresses that ITT remains committed to telecommunications.

Showa Denko earnings fall 39% in first half

BY YOKO SHIBATA IN TOKYO

SHOWA DENKO, one of Japan's leading integrated chemical companies, has reported a 39.2 per cent decline in pre-tax profits to Y4bn ($26m) in the June half-year, which it blamed on falling sales and lower chemical product prices, caused in turn by the lower oil price.

Sales dropped 14.6 per cent to Y184.1bn, *due partly to* lower carbon sales to steelmakers. Sales of petrochemical products were sluggish in both volume and prices.

For the full year, pre-tax profits are projected at Y10bn, *down 6.4 per cent,* on a 12.5 per cent dip in sales to Y370bn. The relatively small earnings fall expected, despite a continued drop in turnover, is attributed to the improvement of the company's financial position, thanks to falling interest rates.

Yokohama Rubber, Japan's second largest maker of car tyres, suffered a 58.3 per cent fall in pre-tax profits from Y2.32bn to Y0.97bn in the first half to June. Net profits at Y540bn were down 29 per cent on turnover, which at Y107.65bn was 7.5 per cent below a year earlier.

The setbacks were due to lower tyre exports and the rise in the yen which eroded export profitability. Exports of tyres to the Middle East, a major market, plunged by half because of deteriorating foreign currency positions in Iran, Iraq and other countries.

Full-year sales are projected at Y223bn, down 6.7 per cent, and pre-tax profits at Y2.7bn, a fall of 17.2 per cent from the previous year. The dividend is to be maintained at Y4.

IMPALA PLATINUM HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

Reg. No. 57/01979/06

PRELIMINARY PROFIT STATEMENT AND DECLARATION OF FINAL DIVIDEND

The unaudited consolidated results for the year ended 30 June 1986 are as follows:

	Year ended 30 June 1986 R000	1985 R000	Per cent change
Consolidated profit	290,309	234,217	23.9+
Less: Taxation and lease consideration	97,605	89,800	8.7+
Profit after taxation and lease consideration	192,704	144,417	33.4+
Transfer to reserve for expenditure on mining assets	110,000	61,500	78.9+
Dividends to shareholders	77,827	77,827	—
Earnings per share (cents)	334	251	33.1+
Dividends per share (cents)	135	135	—

In order to evaluate the results of the company's operations during the year under review the undermentioned factors should be borne in mind:—

1. The after tax profit for the year was adversely affected by an estimated R45 million as a result of the work stoppage at the company's mines in January.
2. A substantial part of the company's output is sold in terms of long-term contracts which insulate the company from the cost and/or benefit of market and exchange rate fluctuations but which do protect revenue against cost escalation.
3. Provisions for taxation and lease consideration were reduced by the continued high level of capital expenditure of R110 million for the year under review (1985: R91 million of which R61,500,000 was appropriated from profits).

Final Dividend declared on 19 August 1986 — Payable on 8 October 1986
Amount per share 100 cents — Currency conversion 29 September 1986

Copies of the full Preliminary Report and Dividend Declaration may be obtained from the London Office, 30 Ely Place, London EC1N 6UA

INTERNATIONAL COMPANIES AND FINANCE

Diamond market recovery lifts De Beers at midway

BY KENNETH MARSTON, MINING EDITOR

REFLECTING the recovery in the world diamond market, pre-tax profits of South Africa's De Beers Consolidated Mines for the first half of this year rose to R707m (£180.7m) from R505m a year ago.

At net attributable level, before extraordinary items, they were R425m, or 118 cents per share, against R383m for the same period of last year.

The interim dividend has been raised to 20 cents from 15 cents. Last year's final was 40 cents.

A feature of the latest results is the reduction made in the group's borrowings, which had been built up in order to finance a big stockpile of unsold rough diamonds.

During the half year long and medium-term liabilities have been reduced by R240m to R740m. In addition R89m of preference shares have been redeemed.

Net current assets have been reduced by R158m to R328m so the overall improvement in funding amounted to R171m. Interest payable in the latest half-year fell to R48m from R76m.

Although diamond account earnings rose by 41 per cent to R447m, the improvement fell short of brokers' expectations, bearing in mind the increase in diamond sales, including those made from the stockpile; a more favourable rand-dollar exchange rate; and the average price increase of 7½ per cent for rough diamonds which became effective in May.

World sales of rough diamonds handled by the Central Selling Organisation on behalf of De Beers and other world producers during the period increased by 45 per cent to $1.21bn. De Beers said the indications are that the positive trend in sales will continue in the current half.

GFSA increases profit by 30%

BY OUR JOHANNESBURG CORRESPONDENT

HIGHER rand gold prices and an increase in fees from the group's managed mines have led to a rise of almost 30 per cent in pre-tax profits at Gold Fields of South Africa (GFSA), the 48 per cent - owned associate of the London-based Consolidated Gold Fields.

Investment income increased to R265.2m ($101.1m) in the year to June from R210.0m, while income from management fees and interest rose to R105.9m from R84.6m.

GFSA is proportionately the most heavily dependent on gold of South Africa's mining houses and its gold-sourced income relies heavily on Driefontein Consolidated and Kloof, the country's two highest grade gold mines. In the year just ended these two mines together contributed dividends of R151.6m to GFSA, equivalent to almost two thirds of the total.

Capital spending is due to start on the new R1bn Northam platinum mine in the Northern Transvaal, which is expected to produce about 400,000 ounces of platinum group metals (PGM) in the early 1990s.

Earnings increased to 319 cents a share from 246 cents and the dividend has been raised to 160 cents from 120 cents.

Bougainville Copper ahead

By Our Financial Staff

BOUGAINVILLE COPPER, the Australian controlled Papua New Guinea producer, boosted net earnings 2½ times in the first half to June, reaching 22.31m kina ($22.8m) against K9.05m, as it drew benefit from increased production and higher prices for the gold which it also extracts.

Copper prices, as US$0.64 per pound, were at their lowest level since the 1930s but were offset by a rise in the gold price to $343 an ounce for the first half against $310 for the first half of 1985, Bougainville said.

Rise at Impala Platinum

BY OUR MINING EDITOR

SOUTH AFRICA'S Impala Platinum Holdings has lifted earnings for the year to June 30 by 33.4 per cent to R192.7m (£49.2m), or 334 cents per share, from R144.4m in 1984-85. The final dividend, however, is unchanged at 100 cents to leave a maintained total of 135 cents.

In the same period the rival Rustenburg Platinum Holdings increased earnings by 54.6 per cent with buoyant prices for platinum boosted by the decline in the rand against the US dollar in which metal sales are priced.

Impala, however, suffered a major labour strike at the beginning of this year which hit production.

Although earnings for the previous six months had doubled the company warned that those for the full year would not be "significantly better."

The strike reduced net profits for the full year by an estimated R45m.

It is also stated that a substantial part of the company's production is sold under long-term contracts. These insulate Impala from price and exchange rate fluctuations but do not protect revenue against cost escalation.

Sappi plans equity issue to reduce debt burden

By Jim Jones in Johannesburg

SAPPI, ONE of South Africa's two major pulp and paper makers, plans to restructure its balance sheet with a R200m ($76.2m) issue of new equity capital which will be used to reduce the company's debt burden.

At the end of June Sappi had total shareholders' funds of R907m and long-term borrowings of R944m. It is now to issue preferred ordinary shares at R14 each on a one-for-four basis, or one-for-10 in the case of participating preference shares held.

The capital restructuring comes in the wake of the recent resignation of Mr Basil Landau, the chairman, who headed the company during its recent expansion which suffered major cost overruns. New production facilities at the Ngodwana mill in the Eastern Transvaal have had severe teething problems and the directors say that its operating performance was disappointing in the first half of this year because steam and electrical power supply difficulties frequently disrupted the mill's operations.

Higher domestic and export prices combined with Ngodwana's additional output to lift first-half sales by 60 per cent to R461m. Pre-tax profits rose to R28.7m from R5m.

Mr Tom De Beer, the new chairman, says domestic demand for paper has improved as customers are no longer reducing inventories. He expects the improvement to be maintained and export earnings to benefit from stronger world demand and higher international paper prices. Ngodwana's technical problems have been resolved, and he believes that Sappi will generate a significant increase in earnings during the second half.

Earnings were 26.2 cents per ordinary share in the first half against a deficit of 55.1 cents. An ordinary dividend has again not been declared.

Australian law change prompts Allianz sale

By David Brown in Frankfurt

ALLIANZ, West Germany's leading insurance group, has agreed the sale of its wholly-owned Australian subsidiary Allianz Insurance Company to Manufacturers Mutual (Sydney) (MMI) one of Australia's leading insurers, for an unspecified sum.

The chief reason cited by Allianz for the move is a new Australian law which brings workers' compensation insurance, formerly the preserve of private industry, under state control.

The regulations will prevent Allianz from developing these activities, which generate about 40 per cent of its A$36.3m (US$22.7m) annual premium income. Other activities include industrial and private property insurance.

Italian group buys UK paper cup maker

By Our Financial Staff

FINSEDA, the Italian packaging group, has acquired Aston and Fuil, a leading UK producer of paper cups with sales last year in excess of £2m.

The Italian group, a privately - owned company based in Naples, has purchased Aston from the Lawson Mardon group, formerly part of the BAT Industries tobacco and foods group.

The deal provides Finseda with its first manufacturing base in the UK and it reinforces the group's position as one of the largest producers of paper cups in Europe.

Finseda, which had sales last year of around £75m, is also a major supplier to the ice cream and foods industries. It has plants in Belgium and West Germany as well as in Italy.

Bergesen sells stake in Kvaerner

By Fay Gjester in Oslo

IN A DEAL worth around NKr 500m ($68m) Elkem, the Norwegian metals, mining and manufacturing concern, has bought 27 per cent of the Kvaerner heavy engineering group from the Bergesen shipping concern, cutting Bergesen's stake from 40 per cent to 13 per cent.

The sale announced yesterday was reportedly at 'market price' and yesterday the price of Kvaerner shares reached a high for the year of NKr 188.

The price had been rising for some time, on rumours—denied by Bergesen's management—that the shipping company was seeking to gain majority control. It could well fall, today, now that the takeover excitement has ended.

DM warrant bond from Benetton

BY CLARE PEARSON

BENETTON, the Italian clothing company which launched an initial public offering of shares in June, yesterday made a DM 200m issue with warrants into 7.8m new shares, meeting an enthusiastic reception from investors.

Yesterday's warrants deal valued each share at L19,800, as opposed to an average share price since official listing in Milan three weeks ago of about L17,300. A price of L10,300 was placed on the shares when they were first sold in the international markets.

If the three-year warrants are fully exercised, this deal will account for about 5 per cent of Benetton's enlarged share capital. A similarly sized issue is being arranged in the Italian domestic market, so that, adding in the shares sold by the Benetton family in June, about 20 per cent of the equity has now been released on to the market.

Lead-manager CSFB-Effectenbank set the coupon on the seven-year par-priced bond at 2 per cent, about 4½ per cent below the coupon that Benetton would have paid for a "straight" fixed-rate D-mark bond. Each bond carries two warrants, one exercisable into five, and one into 190 shares. The bond with the warrants traded as high as 114½ yesterday.

Benetton is currently substantially expanding clothing production capacity. It also plans to diversify into such areas as financial services.

Elsewhere in the Eurobond market, syndicate managers generally held back from launching new deals ahead of the announcement of revised figures for US GNP growth in the second quarter. Bond prices moved about ⅛ point firmer after the announcement of a 0.6 per cent growth rate.

Nevertheless, no new fixed-rate dollar Eurobonds appeared yesterday. Two floating-rate notes (FRNs) were launched, however.

Late in the day Nomura International launched an innovative Y10bn bond for Kawasaki Steel based on recent FRNs which pay interest according to a formula whereby coupon payments rise as London interbank offered rates for Euroyen deposits fall. Kawasaki Steel's 10-year bond pays interest on this model for the first five years, and then pays a fixed rate for the rest of its life.

At yesterday's six-month yen Libor rate, the par-priced bond would have paid 5.5 per cent. This is lower than the rate on other recent "reverse" FRNs, but is offset by an assured 8 per cent coupon during the final five years.

Morgan Stanley issued a $50m FRN for Credit Chimique, the French bank owned by Pechiney, the state natural resources company. The 10-year deal's coupon was set at six-month Libor and it was priced at par. It is callable after five years. Morgan Stanley said it was trading within 50 basis point fees at about 99.88 bid.

Australian dollar Eurobonds firmed slightly on some buying by Australian institutions in London after Mr Paul Keating, the Australian Treasurer, had delivered his Budget speech. He predicted that the 1986-87 Budget deficit would be A$3.5bn, as against A$5.73bn in 1985-86.

The Swiss franc market saw prices basically unchanged in moderate volume. Credit Suisse arranged a private placement for Tokyo Electric Power. The SFr 200m five-year issue has an indicated coupon of 4½ per cent and a price of par. Terms will be fixed on August 25.

Credit Suisse also issued a SFr 80m equity warrants note for the Japanese Sanken Electric. The five-year issue has an indicated coupon of 1 per cent and is callable after three years at 101.

In the D-mark fixed-rate Eurobond market prices moved firmer during the afternoon after New York prices rose.

NMB raises midterm earnings

BY LAURA RAUN IN AMSTERDAM

NEDERLANDSCHE Middenstandsbank (NMB), the third largest Dutch commercial bank, posted 35 per cent higher profits of Fl 108m ($48.4m) in the first half of 1986 compared with Fl 80m a year earlier. The interim dividend was raised by Fl 0.20 to Fl 3.80 a share. NMB predicted that the "positive trend in results" would continue.

Of the three biggest commercial banks, NMB put in the best performance for the first half. Algemene Bank Nederland, the largest, raised profits by a comparatively modest 8 per cent while Amsterdam-Rotterdam Bank lifted net income by 28 per cent.

Commission income rose the most, climbing 17 per cent, while interest income advanced 7 per cent on higher interest rate margins and greater lending activity. Sharp profit growth was reported by Stichting Nederlandsche Middenstands Spaarbank, the savings bank subsidiary, and NMB Bank itself.

Turnover rose 10 per cent to Fl 1.08bn largely due to bigger profits from the securities business and operations abroad—despite the sharply weaker dollar. Expenditures rose by 13 per cent due to rising staff costs. Gross profits increased by 5 per cent to Fl 410m.

Contributions to general contingencies were pared a bit to Fl 282m in the first half from Fl 290m on healthier conditions in the Dutch economy.

Satisfactory result seen by German bank

By Jonathan Carr in Frankfurt

TRINKAUS und Burkhardt, the West German bank which made a public share issue for the first time last autumn, raised profits sharply in the first half of 1986 and expects a "very satisfactory" result for the whole year.

Partial operating profit jumped by 26.4 per cent to DM 42.1m ($20.3m) in the group, and by one-third to DM 33.2m in the parent bank, compared with one half of the full results for 1985.

Full operating profit, including results from own account trading, were clearly above the earnings for one half of last year, the bank said.

The figures show that Trinkaus, which is 70 per cent-owned by Britain's Midland Bank, has had marked success in boosting its profits from commissions so that these now exceed earnings from normal credit business.

● *Norddeutsche Landesbank* (Nord/LB), one of the largest of West Germany's regional Landesbanks, achieved an operating profit in half-year to June of DM 197m—thus matching one half of last year's full result.

The steady profits performance was due to buoyant earnings from own-account trading. Partial operating profit dropped because of a cut of 5 per cent to DM 294m in the interest surplus. Commission earnings, at DM 26.5m, were about the same as in the previous year.

Sun Chemical sells unit

BY OUR NEW YORK STAFF

DAINIPPON INK & Chemicals, the Japanese special chemicals group, has agreed to pay $550m cash for Sun Chemical's graphic arts materials group, as reported in later editions yesterday. The deal will make Dainippon one of the world's leading suppliers of printing ink.

At lunchtime yesterday Sun Chemical shares were at $84⅛, up $10⅛.

The announcement marks the end of one of the few contested takeover bids by a Japanese company. Dainippon, which claims to be the world's third-largest producer of printing inks, first expressed interest in acquiring Sun Chemical's graphic arts materials group, which accounts for over 60 per cent of the US group's sales, in June last year.

Since then the two groups have been negotiating, and Sun has turned down several takeover offers. Earlier this year Dainippon offered to pay $425m for Sun's graphic arts materials group or $75 a share for the entire Sun Chemical Group. Sun responded by saying that it was not interested in selling but would be prepared to consider an offer of $800m.

The Japanese group later sweetened its offer on several occasions and by early May was offering $85 a share for Sun Chemical. But Sun put up several obstacles. Mr Norman Alexander, Sun chairman, increased his stake in the company from 33 per cent to 47 per cent and repeatedly said that the Japanese offer was unacceptable.

Study urges rules change for banks

By Robert Gibbens in Montreal

A STUDY by Coopers and Lybrand, the accountants for the Canadian Federal Department of Finance, says the office of the Inspector General of Banks needs extensive changes to improve bank supervision and regulations.

The study, carried out after the failure of two banks in western Canada last year, says the Inspector General's office should have a staff of about 73 and "significant upgrading of staff policies and programmes is required."

The chain of accountability has to be strengthened, and if this is done, the system should perform satisfactorily.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on August 19

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9⅞ 16	200	103¼	103⅝	+0⅛	+0⅛	9.39
Atlan. Richfield 10⅛ 00	250	108⅛	108⅝	0	+0⅝	9.15
Australia Com. 11 95	200	115½	116⅛	+0⅛	+0½	8.38
Australia Com. 11⅛ 00	100	115⅛	115⅝	+0⅛	+0⅞	9.22
BP Capital 9⅛ 96	100	104	104½	+0⅛	+0⅜	8.53
BP Capital 11⅛ 92	150	110⅛	110⅝	+0½	+0⅝	8.63
Campbell Soup 10½ 95	100	112¾	113¼	+0½	+1¼	8.39
Canada 9 96	1000	108¾	108¾	+0⅜	+1	7.70
Canada 11½ 90	500	113⅝	114⅛	+0⅜	+0⅝	6.97
Canadian Pac. 10⅜ 93	100	110	110½	+0½	+1	8.68
CEPME 10⅛ 91	100	108⅞	109⅜	+0⅛	+0⅛	7.90
Credit D'Equip. 7⅞ 91	100	†102	102½	+0⅛	+0⅝	6.83
Credit Lyonnais 9 91	200	105⅛	105⅝	+0⅜	+0⅜	7.53
Credit National 9⅞ 93	150	106	106½	+0⅜	+0⅝	7.84
Denmark Kingdom 7⅛ 93	250	99½	100⅛	+0⅛	+0½	7.79
Denmark Kingdom 8⅛ 91	300	102⅞	103⅜	+0⅜	+0⅝	7.46
Denmark Kgdm. 11½ 92	100	116⅜	116⅞	+0⅜	+0⅛	7.72
EDC 8½ 92	100	103¾	104¼	+0½	+0⅛	7.58
EEC 8⅛ 96	100	103⅝	104	+0⅝	+0⅞	7.71
EEC 8⅝ 91	150	105⅛	105⅝	+0½	+0½	7.17
EEC 9⅝ 90	350	106¼	106¾	+0⅛	+0⅛	7.61
EIB 10⅛ 94	200	111¼	111¾	+0⅛	+0½	8.20
EIB 12 95	200	124⅞	125⅜	+0⅜	+1¼	7.88
Eurofima 7⅛ 91	100	100⅞	101⅜	+0⅛	+0⅛	7.47
Export Dev. Cpn. 10 90	100	109½	110	+0⅜	+0⅛	6.97
Finland 7½ 93	200	98⅝	99⅛	+0⅛	+0⅛	7.71
Ford Motor Cred. 10½ 91	150	109⅞	110⅜	+0⅛	+0½	8.05
Ford Motor Cpn. 11⅜ 90	100	111	111½	+0½	+0⅛	7.56
Gen. Elec. Cred. 10⅛ 00	200	107⅛	107⅝	0	+0⅛	9.27
GMAC 10⅛ 89	200	107⅜	107⅞	+0⅛	+0½	7.12
GMAC 8½ 93	200	102¾	103¼	+0½	+0⅛	7.91
IADB 9⅞ 95	200	111½	112	+0⅜	+0½	8.03
Liberty Mutual 8½ 96	150	102	102½	+0⅝	+0⅝	8.16
LTCB of Japan 8 91	100	101¼	101¾	+0⅛	+0⅛	7.63
Merrill Lynch 8⅝ 91	100	103¾	104¼	+0⅛	+0⅛	7.78
New Zealand 7⅛ 90	100	100⅜	100⅞	+0⅜	+0⅜	7.54
New Zealand 8⅛ 93	150	101	101½	+0⅝	+0⅛	7.98
Pepsico Inc. 7⅞ 93	200	97⅝	98⅛	+0½	+0⅛	7.78
Proct. & Gamb. 'A' 9⅞ 92	150	106⅞	107⅜	+0⅜	+0⅜	8.36
Pru Realty Secs. 12⅞ 95	546	118	118½	+0½	+1	8.93
Qantas Airways 10⅝ 95	140	112	112½	-0⅛	+0⅛	8.36
Queensland Govt. 10⅛ 95	100	110⅞	111⅜	+0⅛	+0⅛	9.39
Ralston Purina 11⅜ 95	150	113⅜	114⅛	+0⅝	+1	9.33
Saab Scania 9½ 91	125	105½	106	+0⅝	+0⅛	7.91
Saskatchewan 10⅛ 92	100	113¼	113¾	+0½	+0⅝	7.65
Scandinavia Air. 10⅛ 95	150	110⅞	111⅜	+0⅛	+0⅛	8.34
State Bk. S. Aust. 9⅞ 93	100	†103⅞	103⅞	+0⅛	+0⅛	8.48
Statoil 10 90	170	108⅛	108⅝	+0⅛	+0⅛	7.49
S. Wales Trsy. 11⅜ 90	150	112⅛	112⅝	+0⅜	+0⅛	7.71
Swed. Exp. Cred. 10 92	100	110½	111	+0⅛	+0⅛	7.62
Sweden 8⅛ 96	200	105⅛	105⅝	-0⅛	+0⅛	7.92
Sweden 10⅛ 92	250	112½	113	+0⅛	+0⅛	7.60
Sweden Kgdm. 10⅝ 90	200	111½	112	+0⅛	+0⅛	7.16
Sweden Kgdm. 11⅛ 94	100	117⅛	117⅝	+0⅛	+0⅝	8.69
Toyota Motor Cred. 8 89	100	102	102½	+0⅛	+0⅛	7.14
Victorian Rep. 11⅝ 92	150	114¼	114¾	+0⅛	+0⅛	8.31
World Bank 8½ 2016	150	96⅝	97⅛	+0⅛	+1	8.80
World Bank 9⅛ 2016	300	102⅞	103⅜	-0⅛	-0½	8.94
World Bank 9⅞ 2016	300	107	107½	+0⅛	+0⅜	9.03
World Bank 10⅛ 95	300	114⅝	115⅛	+0⅛	+0⅞	7.75
Yasuda Trust. Fin. 8½ 93	100	102⅝	103	+0⅜	+0⅛	7.98

Average price changes on day +0½ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	109⅝	110⅛	+0½	+0⅜	6.39
Austrian Elec. Co. 6½ 95	150	101½	102	+0⅛	+0⅛	6.24
BMW 5⅞ 96	200	99	99½	0	-0⅛	6.19
Daimler Benz Ins. 5⅞ 01	500	96½	97	0	-0⅛	6.09
Dow Chemical 5⅞ 96	300	94⅝	95⅛	-0⅛	-0⅛	6.34
Dow Chemical 6⅛ 95	300	104⅛	105⅛	+0⅞	+1⅛	6.02
EIB 5½ 98	150	96⅛	96⅝	+0⅛	+0⅜	5.92
EIB 6⅞ 95	300	105⅛	105⅝	+0⅝	+0⅝	6.06
EIB 7⅛ 94	300	105⅜	105⅞	0	+0⅛	6.35
Enskilt Corpn. 6⅛ 95	175	102⅛	102⅝	+0⅛	+0½	6.38
Eurofima 6⅛ 96	100	101⅛	101⅝	-0⅛	+0⅛	6.04
Ex.-Im. Bk. Korea 7⅜ 90	100	104⅛	104⅝	0	+0⅛	6.23
Finland Republic 7 92	200	104⅛	104⅝	0	0	5.99
Hoesch Int. Fin. 7 95	100	104½	105	+0⅛	+0½	6.38
Hydro Quebec 5½ 96	125	95⅛	95⅝	+0⅛	+0⅛	6.12
Hydro Quebec 6 2016	150	95⅛	95⅝	0	-0⅛	6.35
I&J 5⅞ 96	200	96⅛	96⅝	+0⅛	-2⅛	6.13
Ireland 8⅞ 92	150	108	108½	0	-0½	6.36
I/S Elsam 6⅛ 93	125	100½	101	-0⅛	0	6.61
Korea Dev. Bank 6⅞ 93	100	98⅛	98⅝	-0⅛	+0½	6.93
Mitsubishi M. 3⅜ 89 WW	100	107½	108	0	-1	0.76
Mitsubishi M. 3⅜ 89 XW	100	93	93½	0	-0⅛	5.38
Renfe 7⅛ 95	100	106⅛	107⅛	0	+0⅛	6.66
Soc. Cent. Nuclear 7⅛ 95	150	103⅛	103⅞	0	+1⅛	6.69
Soc. Cent. Nuclear 8 91	100	105	106½	+0⅛	0	6.46
Statoil 5⅞ 96	100	93⅛	93⅝	0	-0⅛	6.40
World Bank 7 95	400	105⅝	106⅛	+0⅛	-0⅛	6.09
Yorkshire Inst. 6⅛ 2001	200	95½	96	0	-0⅛	6.71

Average price changes on day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Corpn. 5⅞ 94	130	†103½	103⅞	0	+1⅛	4.83
Brit. Land Comp. 6½ 99	75	†105	105⅛	+0⅛	+0⅛	5.93
Chrysler 5⅛ 96	140	†102½	102⅛	-0½	+0⅛	5.40
Council of Europe 6 92	120	†105	105⅛	+1	+0½	5.02
Creditanstalt 5½ 94	100	†102	102⅛	0	+0⅛	5.18
Deutsche Bk. Fin. 5⅞ 95	100	†105½	105⅛	+0⅛	0	4.55
Gen. Occidentale 4½ 94	80	†117⅛	117⅛	+1	0	2.16
Glendale F. S & L 5½ 95	100	†103½	103⅛	+0½	+1⅛	5.27
Humana 5⅛ 98	120	†96½	98⅛	0	+0½	5.28
Ind. F. Finland 5⅛ 94	40	†102⅛	102⅛	+0⅛	+1	5.95
N. Zealand Steel 5⅛ 96	70	†100	100⅛	0	-1	5.73
Oberos. Kftwk. 5⅞ 95	100	†102⅛	102½	-0⅛	+0⅛	5.02
Olivetti Intl. 5½ 95	100	†105	105⅛	+1	+1	4.78
Pepsico 5⅛ 95	130	†104⅛	104⅛	0	+0⅛	4.63
Phibro-Salomon 5⅛ 97	110	†100⅛	101	-0⅛	-0⅛	5.02
Ralston Purina 5⅜ 94	125	†102	102⅛	-0½	-0⅛	5.65
Settsu Euro. 0 2001	100	†47	47⅛	0	+0½	5.31
Tokyo Elec. Pwr. 5½ 93	120	†104	104⅛	+0⅛	0	4.73
Tokyo Metropolis 5⅛ 94	90	†102⅛	102½	0	+1⅛	4.89
World Bank 5⅛ 94	150	†103⅛	103⅛	0	-0⅛	5.18

Average price changes on day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Exp. Os. Cr. 5⅞ 92	20	99⅛	100⅛	0	0	5.83
Denmark 6⅛ 96	18	103⅛	104⅛	0	-0⅛	5.82
Dow Chemical 6⅛ 01	25	98⅛	99⅛	+0⅛	-0⅛	6.46
EIB 6⅛ 96	25	102⅛	103⅛	0	0	5.70
Province de Quebec 6 98	20	†99	99½	0	+0½	6.09

Average price changes on day +0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amca. Ex. Ox. Cr. 0 91 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bremer Land. 12½ 91 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fiat Finance 14⅛ 89 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 12⅞ 89 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Landsbk. Rhein 13 89 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10⅞ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chrysler Fin. 10⅞ 91 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genstar Fin. 11⅜ 95 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 9⅞ 92 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Trustco 10⅛ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears Acc. 10⅛ 92 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coca-Cola 17⅞ 90 NZ$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 17⅞ 89 NZ$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever 17⅞ 88 NZ$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copenhagen City 9 95 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 8⅞ 93 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Walt Disney 8⅛ 94 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Honda Mtr. WW 3⅞ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Honda Mtr. XW 3⅞ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thyssen 7⅞ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wereldhave 7⅞ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wessanen 6⅞ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amev 11 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. 11 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC UK Fin. 10⅞ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imp. Chem. Inds. 10 03 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imp. Chm. Inds. 10⅛ 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Invst. in Inds. Int. 10 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Leeds Bld. Soc. 10⅞ 91 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
McDonalds 10⅛ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nationwide BS 10⅞ 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NSW Treasury 10⅛ 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Insce. 10⅛ 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
J. Sainsbury 10⅛ 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tsthse. Forte 11⅛ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 11⅛ 95 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CoE 8⅝ 93 LFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 8⅛ 93 LFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Alliance & Leic. Bldg. £ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Montreal 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays Bank Perp. 1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays Bank Perp. 2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium, Kingdom of 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP 5⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Britannia 5 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCF 5⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chicorp 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 5 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 3 92 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 5⅛ 93 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Halifax Bldg. Soc. £ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Bank Perp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bank 2001 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milk Mrktg. Board 5 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NatWest Perp. A	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NatWest Perp. B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 5 2001	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 5 97 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Prudential Corp. 4 95 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bk. Scotland 5 Prp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 5 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woodside Financial 5⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolwich 5 95 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes on day +0.00 on week +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Ajinomoto 3 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fanuc 3⅛ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fuji Heavy Inds. 3 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 3 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marui 3½ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Minolta Camera 2⅞ 94 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Elec. 2⅞ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Elec. 2⅞ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Bank 2⅛ 01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Murata 3⅛ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Elec. 2⅞ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Oil Co. 3 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKI Elec. Ind. 3⅛ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sanwa Bank 2⅞ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sekisui House 3 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Bank 2⅞ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Corpn. 2⅞ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taiyo Yuden 3⅞ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toshiba Ceramics 3 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Oil Co. 2⅞ 92 SFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Shinpan 2 92 SFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asics 5 92 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Renown 3⅛ 90 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

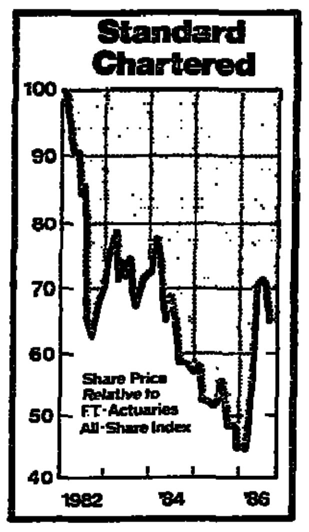
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Standard Chartered hit by currency movements



Standard Chartered's vulnerability to currency movements was exposed in the first six months of 1986 and was a main feature behind a fall in taxable profits from £133.8m to £131m reported yesterday.

Lord Barber, the chairman, said that if the 1985 half year results of overseas operations were restated at June 1986 rates, profits would have shown a 17 per cent increase, equal to £19.3m.

This problem was most evident in associate contributions which fell from £17.5m to £4.8m. Stanbic, which was a subsidiary and is now an associate, contributed a lower £12.6m (£18.8m).

The results met with an unfavourable reaction in the City with analysts looking for profits of around £140m. Standard's shares initially lost 5p before closing 15p down at 722p.

Another feature behind the profits fall was a further increase in bad and doubtful debt provisions. At £67.4m they showed respective rises of 48 per cent and 22 per cent on the first and second halves of 1985.

Problems above the line, however, were to some extent offset by a lower tax charge of £56.6m (to £68.4m) which left earnings per share ahead from 38.7p to 45.1p. Shareholders will receive a higher interim dividend of 12.5p (10.5p), which is better than indicated during Standard's defence against the unwelcome bid from Lloyds Bank.

The bid defence though cost £7m and, after attributable tax credits, accounted for most of a £5.3m extraordinary deficit. This left attributable profits at £64.9m, against £60.2m.

Expanding on the results, Lord Barber said that the weakness of the US currency had an adverse effect on the results of International Banking Division, London, but despite this UK profits were maintained at the higher levels recorded last year; Chartered Trust, the group's consumer finance arm in the UK, had already announced a 46 per cent increase in interim pre-tax profits to £5.9m.

A strong performance was again recorded in North America where the Union Bancorp group posted a 15 per cent increase in profits after tax, and notable improvements were achieved in both the Middle East and South Asia and in Europe. Although underlying performances in Tropical Africa were "most satisfactory," adverse currency factors left profits lower than last year's when translated into sterling.

Economic difficulties affecting a number of countries in the Asia Pacific region, particularly Malaysia and Singapore, continued to depress results from the region; however, the recovery in Hong Kong was continuing said Lord Barber.

In South Africa, Stanbic reported unchanged profits before taxation; however, due to Standard's reduced shareholding and the continued weakness in the rand, its share of Stanbic's pre-tax profit declined to £12.6m.

A regional analysis of pre-tax profits shows in £m: UK £69 (£58.2); Europe £5.1 (loss £0.4); North America £32.3 (£28.6); Middle East and South Asia £5.5 (loss £1.1); Asia Pacific £3.7 (£22.4); Tropical Africa £18.7 (£27.7); South Africa £12.6 (£18.7).

See Lex

Yorkshire TV sees over £8m

BY RICHARD TOMKINS

Yorkshire Television, the independent television company about to be floated on the stock market, yesterday issued a pathfinder prospectus which revealed that it will be forecasting better-than-expected profits of at least £8.25m for the year to this September.

The figure represents a strong advance from the previous year's £3.58m and compares with City estimates of £7m to £8m.

The current year forecast represents a recovery from a year when Yorkshire's revenues were hit by an unexpected drop in television advertising generally, but it is still well up on the figure of £5.43m for the year to September 1984.

Mr Paul Fox, Yorkshire's managing director, said the main factors behind the advance were the company's success in improving the price of its airtime and the buoyancy of the television advertising market.

In the six months to June 1986, Yorkshire's advertising revenue was 25.8 per cent higher than in the same period the previous year, compared with an average increase for all contractors of 23.3 per cent. This lifted Yorkshire's share of net advertising revenue from 8.9 per cent in the comparable period to 9.1 per cent.

These factors were reflected in pre-tax profits of £5.7m for the seven months to last April.

The pathfinder prospectus also details arrangements for an incentive scheme aimed at attracting Yorkshire's own viewers to the issue. Stockbrokers, banks, licensed dealers and other intermediaries will be offered a commission of 0.375 per cent on all applications accepted from residents in the Yorkshire TV region.

To qualify for the commission, the intermediaries will have to certify that to the best of their knowledge and belief, the applicants are residents of the Yorkshire region.

Special dealing commissions have their precedents in privatisations but this is believed to be the first time they have been used to give regional weightings to an issue. Local applicants, however, will not be preferred at the allocation.

Extel steps up attack on Maxwell deal tactics

By Lionel Barber

EXTEL, the financial information company, yesterday stepped up its attack on Mr Robert Maxwell, the publisher, who is opposed to Extel's proposed $40m acquisition of Dealers' Digest, the US financial database and publishing company.

Mr Alan Brooker, Extel chairman and chief executive, accused Mr Maxwell of "obstructive tactics." Mr Maxwell, who holds 27 per cent of Extel, said last week he intended to block the deal because the price was too high.

Mr Brooker said: "Mr Maxwell's tactics are contrary to the best interests of Extel shareholders. He is merely promoting his own attempt to gain control of the company."

Mr Maxwell acquired a 13.7 per cent stake in Extel earlier this year when he backed a £170m hostile bid from Demerger Corporation. The bid failed and the full Takeover Panel subsequently ruled that Mr Maxwell was acting in concert with Demerger and could not bid for Extel for 12 months.

Mr Brooker said that Mr Maxwell had recently acquired large blocks of Extel shares at well above the current market price of about 400p. If the Dealers Digest deal fell through, Extel shareholders would lose the chance of acquiring further shares at 330p, the price of shares to be issued under the proposed vendor placing to be used to finance the US purchase.

In a circular to shareholders, aimed at winning support, Mr Brooker said the deal extended the range of Extel's financial services and developed Extel's database operations.

The acquisition has to be approved by shareholders at an extraordinary general meeting. A simple majority is required. Proxies must arrive by Wednesday August 27.

Extel faces possible opposition from MIM, the fund management group run by Mr David Stevens, a close ally of Mr Maxwell. Mr Stevens, chairman of United Newspapers, which owns the Daily Express newspaper acted with Mr Maxwell on the Demerger deal.

Charles Batchelor on the Philip Hill/BPCC bid talks

Seeking victory in face of defeat

LORD KEITH, chairman for the past 19 years of Philip Hill Investment Trust, is not a man used to losing battles.

As a non-executive director of Beecham and STC he recently proved himself a man capable of pushing through far-reaching management changes at poorly performing companies.

At Philip Hill, however, Lord Keith is in the unusual position of having change forced upon him. A revolt by the majority of his shareholders over the trust's poor performance meant Lord Keith faced the prospect of having to modify his investment policy.

Barclays de Zoete Wedd last month proposed turning Philip Hill into a fund which would attempt to mirror the UK equities indices in its spread of investments.

Yesterday's announcement that Philip Hill was discussing an agreed bid, expected to be worth more than £300m, from Mr Robert Maxwell's British Printing and Communication Corporation (BPCC) proved, however, that Lord Keith has retained an ability to snatch a victory of sorts in the face of defeat.

If the bid terms can be agreed, BPCC would dispose of Philip Hill's assets and the use of the funds as "war chest" to finance its ambitions to become a global information and communications group.

The BPCC option would lead to the break up of the 54-year-old Philip Hill trust. But if it gave incestors a better deal than the Barclays plan, it would show the Philip Hill board was doing its best for its shareholders.

It would also mark a further move in the restructuring of the £17bn investment trust industry which has seen several large general trusts taken over and broken up to make way for smaller, more agile specialised trusts over the past few years.


Lord Keith, chairman of PHIT

LARGEST UK EQUITY INVESTMENTS

Company	Market value (£m)
Beecham	46.66
Shell	7.2
BTR	7.1
ICI	6.59
Prudential	6.29
Bass	6.17
Arlington Securities	6.08
BP	4.83
Royal Insurance	4.58
Marks and Spencer	4.18
Land Securities	3.94
IC Gas	3.66
General Consolidated	3.64
Crown Financial	3.56
Lands Improvement	3.5
Moorgate	3.3
BIC C	3.3
Babcock	3.13
General Electric	3.06

Philip Hill, in particular, has been held back by its unusually large shareholding in Beecham, the troubled pharmaceuticals group, which amounts to 15 per cent of the trust's assets.

The links between the two go back to the 1920s, when financier Mr Philip Hill, the founder of the investment trust, rescued the Beecham family business from receivership and brought it to market.

Lord Keith, who joined Hill after the second world war, has been on the board of Beecham since 1949.

Philip Hill's net asset value has risen only 17 per cent over the past 12 months compared with an average 38 per cent rise for the investment trust sector.

"It has got its just desserts," said one analyist. "It has languished in performance and image. There won't be many shareholders to stand up and say 'You can't do this'."

Shareholders will, however, be looking closely at the terms expected to be announced today.

BPCC is expected to make a cash offer worth about 97 per cent of Philip Hill's assets and a share offer showing a 5 to 7 per cent premium.

When it celebrated its 50th anniversary in 1982 the trust could point to a 29-year unbroken sequence of dividend increases and a worthy, if unexciting, past.

Set up in 1932 by Mr Hill as a finance company and issuing house it took its present title 10 years later.

In 1965 it merged its banking business, known as Philip Hill, Higginson, Erlangers with M. Samuel to form Hill Samuel, and create a merchant bank which ranked second only to Hambros Bank in terms of size.

The relative importance of Hill Samuel (and of Hambros) has since declined but the links between Hill Samuel and Philip Hill have remained close over the years in the person of Lord Keith.

He retired as chairman of Hill Samuel as recently as 1980, the year in which Philip Hill sold its remaining 16 per cent stake in Hill Samuel.

Over the past few years Philip Hill's shareholders have become increasingly restless.

This culminated in the holders of 56 per cent of Philip Hill's equity—led by Eagle Star Insurance, the NCB pension funds and the Kuwait Investment Office—backing the Barclays' plan to convert it to an index-linked trust.

BPCC is no stranger to the investment trust sector. It launched a £53m agreed bid for Bishopsgate Trust in May 1984 and liquidated it the following month, the day after it gained control.

The purchase of an investment trust provides an alternative for companies unable to use more conventional funding.

This technique is frequently described as "disguised rights issue," though in fact it is closer to a vendor placing since the issuing companies shares go to a restricted number of investors.

BPCC has a market value of around £750m. To raise more than £300m would require a two-for-five rights issue, which would not be feasible for a company of its size and rating, analysts said.

A rights issue would also draw most of its funds from Pergamon Press, Mr Maxwell's private publishing company which owns nearly 15 per cent of BPCC.

Sizeable though the bid for Philip Hill is, it may not be the last if Mr Maxwell is to fulfil his ambition of creating a worldwide information group with turnover of £3bn-£5bn by 1990. Mr Maxwell, like Lord Keith, is a determined man.

Hawley lifts stake in Brengreen to 27.1%

BY LIONEL BARBER

Hawley Group has raised its stake in Brengreen, the cleaning group which has agreed to a £32m bid from BET, the diversified industrial services business, to 27.1 per cent.

Hawley bought 895,000 Brengreen shares at 46p a share and 50,000 ordinary shares at 45½p a share. The announcement follows confirmation this week that Hawley, the cleaning and services group run by Mr Michael Ashcroft, had picked up an 8.6 per cent in the HAT group, itself the target of a £94m hostile bid from BET.

Market analysts said yesterday that Mr Ashcroft's motives remained unclear. But he appeared to want to frustrate BET's stated aim of increasing its presence in the UK cleaning market. Mr Ashcroft was unavailable for comment.

BET said it was extending its offer for HAT until September 5. It has so far received acceptances in respect of 1.44 per cent of HAT shares. Before announcing its offer, BET held no shares in HAT and has not acquired any shares since.

Fresh salvo by Greycoat in Property bid battle

Greycoat Group, which is making a contested £107m takeover bid for Property Holding & Investment Trust yesterday delivered a fresh broadside against what it called Property's "mediocre record."

But the defending company dismissed Greycoat's document as being "as misleading as its predecessors."

Greycoat's offer — which is final—reaches its next closing date on August 28. It said in a letter to shareholders that it had decided not to increase for several reasons.

It felt that Property Holding's valuation of some of its properties was on the high side and it was concerned that the group had recently committed £23m to the acquisition of two properties which Greycoat did not believe would create added value in a reasonable timescale. Greycoat added that it intended to sell certain of PHIT's mature properties, which would give rise to a tax liability.

But Mr Arthur John, chairman of Property Holding, said last night that the group's growth prospects were excellent and "the reality is that Greycoat cannot increase its offers because its share price has fallen well below the underwritten price."

1928 Trust net revenue falls

The Nineteen Twenty-Eight Investment Trust reported lower net revenue of £653,000 for the six months to the end of June 1986 against £772,000 last time. Earnings per share for the 50.2 per cent-owned subsidiary of London and Manchester Group fell to 1.79p, against 2.12p but the interim dividend has been maintained at 1.5p.

Net asset value at the end of the period was up at 238.7p, against 192p a year earlier and 210.8p at the end of 1985.

COMPANY NEWS IN BRIEF

AUTHORITY INVESTMENTS: The offer made on behalf of Mr David Backhouse, Mr Michael Campbell and Mr David Innes has closed with no further acceptances since it was declared unconditional. The offer was accepted in respect of all the fully-paid A ordinary shares and none of the ordinary or partly-paid A ordinary. The acceptances represent 72.56 per cent of the capital.

LONDON UNITED Investments' rights issue of 7.35m new ordinary shares was taken up in excess of 96 per cent. The balance has been sold in the market and the excess over the subscription price will be distributed to entitled shareholders.

MOUNTLEIGH Group's recommended offer for the issued share capital of United Real has been accepted in respect of 8.78m ordinary (73.1 per cent) and is now unconditional as to acceptances. The offer remains open until 3 pm on September 4. Mountleigh held no shares in United prior to the offer announcement and has not since acquired or agreed to acquire any.

UK COMPANY NEWS

Mount Charlotte calls off Pleasurama merger

BY LIONEL BARBER

PRESSURE FROM institutional shareholders led to the abandonment of the proposed £500m merger between Mount Charlotte Investments, the hotel chain, and Pleasurama, the casinos and leisure group, Mr Robert Peel, Mount Charlotte's managing director, said yesterday.

Mr Peel said that shareholders had questioned the wisdom of combining the two groups. This pressure, coupled with a stream of unhelpful press leaks and some doubts within the Mount Charlotte board, had persuaded the group that it should remain independent.

"Seventy per cent of our shares are held by institutions. There were indications that a lot of people preferred us to stay on our own."

Merger talks began six weeks ago. They were instigated by Pleasurama's merchant bank adviser, County Bank, with the aim of bringing together Pleasurama's cash-generating casinos with the asset backing of Mount Charlotte's hotels.

Mr Peel's brother, Charles, a senior broker at County's stockbroking arm, Fielding Newson-Smith, also played a key intermediary role, according to Mr George Martin, managing director of Pleasurama.

Mr Martin said that merger terms had been agreed but Mr Robert Peel, after initial enthusiasm, had changed his mind. "What he has ended up doing is putting an up for sale sign outside Mount Charlotte," said Mr Martin.

Under the proposed merger, Pleasurama would have ended up as the larger partner, holding 61 per cent of the combined group's equity. Mr Martin and Mr Peel would have become joint chief executives and a Pleasurama director would have become chairman.

Both companies' shares fell yesterday following confirmation that merger talks were off. Pleasurama dropped 7p to 316p, while Mount Charlotte fell 5p to 94p.

Mount Charlotte has 53 hotels in the UK of which eight are in London. In the year to December 1985, it reported pre-tax profits of £16.06m (£10.03m) on turnover 27 per cent higher at £80.29m.

Pleasurama, which has been searching for a fourth leg to add to its gaming, amusement machines and holiday business, reported pre-tax profits of £37.5m on turnover of £160m for the year to last December. Interim pre-tax profits this year rose 20 per cent to £19.2m.

Task Force profits double to £0.3m

Task Force Group reported pre-tax profits almost doubled from £150,000 to £294,000 in the six months to the end of May 1986 and said that it was on course to meet the £600,000 for the year forecast at the time it came to the Unlisted Securities Market in June.

There is no interim dividend but Mr Tony Martin, chairman, said in the absence of unforeseen circumstances the directors would be recommending a final payment of 1.18p net, also as forecast.

Turnover increased by 41 per cent from £1.99m to £2.8m. After tax of £125,000 (£66,000) attributable profit came out at £169,000, against £84,000, with stated earnings per 5p share of 3.2p (1.8p).

The company based in Southend-on-Sea, is a computer personnel agency.

Mr Martin said that business remained buoyant with new accounts developed, many new contracts placed, and several large requirements were being negotiated.

He added that a number of start-up and acquisition opportunities were being reviewed.

Task came to the USM through a placing of 1.5m shares at 95p. The shares closed at 112p yesterday, up 2p on the day.

Systems Designers lays foundation for growth

A DETERIORATION of 20 per cent in the average dollar exchange rate adversely affected the US operations of Systems Designers in the first six months of 1986.

In all, the computer consultancy pushed its turnover up by £3.63m to £39.23m and its profits from £3.22m to £3.33m — City analysts had been looking for a virtual standstill.

The mainly European systems consultancy business increased its turnover to £21.79m (£17.5m) and its profits to £1.67m (£1.44m) and in dollar terms, Warrington Associates of the US achieved improvements of 11 per cent in both turnover and profits.

After conversion, however, the US results showed turnover at £7.44m (£8.1m) and profits at £1.66m (£1.78m).

The directors said the six months saw steady growth and a high level of investment in future products. Looking ahead, they were confident of continued success.

They were now operating a five-year strategy aimed at a prominant position for the group in the international systems consultancy market of the 1990s.

The fruits of the investment programme were expected to be seen from 1987, although the directors pointed out that in most areas, they were laying the foundation for the following years.

Net profits for the opening half year worked through at £2.37m (£2.05m) after tax of £955,000 (£1.17m).

Earnings amounted to 2.08p (1.82p). The interim dividend is being stepped up from 0.15p to 0.2p net per 5p share.

• comment

The combination of computer technology, an aggressive acquisitions policy, and a drive into the US market is a potent brew for investors and Systems Designers' share price has shown a tendency to lurch about like a drunken man. But the company's message is for the moment rather sober. Much of its R & D spending is designed for the long term with the aim of making SD one of the world's top ten systems consultancy firms of the nineties. The two chief developments have tremendous potential. ADA will be the language which the US Department of Defense will use in future and where the US goes the rest of NATO is likely to follow. FOLIOS, which will be used as a security system for the Foreign Office also has export possibilities. Adding on the higher margins from the development of kernel software packages encourages long term optimism. In the short term, the market will be more concerned about the attempts to add a front office bond dealing system to Warrington's back office facilities and those worries will restrain the share price. On full year profits of £8m, the shares at 94p are on a prospective p/e of 19. That reflects the long rather than the short term prospects.

Waterford sells loss-maker

Waterford Glass group said yesterday it had disposed of its loss-making subsidiary, Smith Group, which has the Renault franchise in Ireland and a chain of garages.

Smith losses were I£1.5m in 1985, double the 1984 level, and Waterford was forced to set aside I£8.3m in rationalisation costs for Smith's last year. Waterford said the subsidiary had continued to sustain losses in the first half of this year.

The new owner is Mr Bill Cullen, currently chairman of Fairline Motor Company.

The disposal will reduce Waterford's net debt and bills by a total of I£19m. Last year, Waterford made pre-tax profits of I£18.5m, the bulk earned by Waterford Crystal and Aynsley China. Interim results are due today.

Fife Indmar improves to £0.15m

First half profits of Fife Indmar, a Scottish-based light and general engineer, improved from £87,000 to £149,000 pre-tax, although turnover for the period to June 30 1986 fell by £481,000 to £8.85m.

The directors said all divisions operated at a profit, but added that the results had been depressed by a lack of activity in the offshore market and the continued decline in shipbuilding.

Exceptional charges were cut to £27,000 (£71,000). Earnings worked through at 1.61p (0.88p). The interim dividend is a same-again 0.75p.

Fleming Mercantile

Fleming Mercantile Investment Trust improved its net asset value to 187.1p per share at end-July 1986, against 151p a year earlier, after deducting prior charges at redemption values.

Net revenue for the six month period fell from £3.13m to £2.98m, for earnings per 25p share of 2.01p (2.12p). The interim dividend is lifted from 1.25p to 1.5p. A 3.6p total was paid for the year to January 1986.

Income for the half year amounted to £5.16m (£5.54m), while expenses and interest took £919,000 (£1.21m).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aerospace Engn.		1.56	Oct. 3	1.2	2.88	2.4
Fife Indmar	int.	0.75	Oct. 1	0.75	—	3.5
Fleming Mercantile	int.	1.5	Oct. 1	1.25	—	3.6
1928 Trust	int.	1.5	Oct. 1	1.5	—	4
Rentokil	int.	1.03	Nov. 7	0.89	—	2.44
Standard Chartered	int.	12.5	Oct. 3	10.5	—	30.5
Systems Designers	int.	0.2†	Nov. 18	0.15	—	0.45

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Atlantic Computers, Britannic Assurance, Horizon Travel, International Thomson, Microtec, Sandvik, Supra, Waterford Glass.

Finals:—D. Y. Davies, Electron House, John Finlan, Herrburger Brooks, W. H. Smith, Trent.

FUTURE DATES

Interims:—

AMEC	Aug 27
Anglo American Industrial	Aug 26
Associated British Ports	Sept 10
Bluebird Toys	Sept 23
Botswana RST	Aug 26
Gaskell Broadloom	Aug 29
Lec Refrigeration	Aug 28
Liberty	Sept 26
Lopex	Sept 8
Trinity International	Sept 18
Watmoughs	Sept 18
Wassenan	Aug 26

Finals:—

Dialene	Sept 9
Ferry Pickering	Sept 25
Grand Metropolitan	Dec 18

UK COMPANY NEWS

UK property care holds back Rentokil at halfway

Rentokil Group's contract services showed strong consistent growth worldwide during the six months to June 30, 1986, but property care in the UK continued to suffer from a depressed market, the chairman reported yesterday.

Pre-tax profits advanced from £12.04m to £13.1m, with the UK contribution up from £7.89m to £8.49m. Group sales were £76.82m compared with £71.25m, of which the UK figure was £39.32m (£35.1m).

The increased value of the pound at June 30 compared with a year earlier resulted in overseas profits expressed in sterling being reduced by £238,000. An exchange deficit arising since December 1985 on the translation into sterling of net assets overseas amounted to £623,000 (£3.56m at June 30, 1985) and has been debited direct to reserves.

The chairman said timber preserving had a difficult first half, and volumes fell in two important markets—the UK and Malaysia—as a result of poor demand in the local construction industries.

He said prospects for contract services should produce further growth and some recovery was looked for in the group's other activities. Prospects for the second half were good.

After tax little changed at £5.11m (£5.2m) and minorities of £26,000 (£110,000), attributable profits came out at £7.97m against £6.73m. The interim dividend is raised from 0.89p to 1.025p—last year's total was 2.44p from pre-tax profits of £26.04m. Dividends absorb £1.97m (£1.71m), leaving retained profits up from £5.02m to £6m.

Stated earnings per 10p share improved from 3.51p to 4.13p.

This West Sussex company, a subsidiary of Sophus Berendsen of Denmark, is a specialist in timber preservation, pest control, damp proofing, thermal insulation and industrial hygiene.

● comment

Rentokil's shares took a nasty tumble around the time of the poor preliminary results last March and yesterday's figures were never likely to be the ones which brought about a re-rating: a dull performance had been widely expected and the shares were unchanged at 140p. For the second half, however, hopes are somewhat higher. The period-end exchange rates which cost the company £238,000 at the interim stage seem likely to turn to its advantage by the end of the year, and the property care activities, though probably still at only an early stage of their recovery, will benefit from a favourable comparison with last year's dismal second half. Timber preserving may continue to be problematic but the City has enough confidence to the strength of the mainstream contract services division to be pencilling in £30m pre-tax for the year for a prospective p/e ratio of under 15 after a 39 per cent tax charge. This may be a far cry from the 26-plus rating Rentokil once commanded, but the shares are overshadowed by the pending Monopolies Commission inquiry and the marqet has yet to be convinced that the company's troubles are over.

Molynx profits up 63% in first half

FIRST HALF pre-tax profits rose by 63 per cent at Molynx Holdings, Gwent-based maker of closed circuit TV equipment, and the directors said there was no reason why the trend should not continue.

Sales for the six months to June 30 1986 improved by 19 per cent, from £972,000 to £1.16m, which generated a pre-tax result of £160,000 (£98,000).

The directors, who described the figures as very encouraging, said the company's recent growth had been organic, and although that should continue, they believed that the company's strength, record and reputation was such that they should consider the benefits of expanding through acquisition.

The 700,000 ordinary rights issue, declared in May, received 95 per cent acceptance, the directors said. The funds have been used to eliminate all bank borrowings, with the balance currently remaining on deposit.

After tax of £48,000 (nil) earnings per 20p share were shown up from 3.6p to 4p, excluding the rights issue.

Aerospace Engineering expands

Aerospace Engineering, the precision engineer, yesterday, reported higher taxable profits of £831,000, aginst £714,000, for the year to end-April 1986. Turnover was marginally higher at £12.98m compared with £12.95m.

Mr S. H. Knott ,the chairman, sai dthe year was encouraging and one during which internal performance had been improved. Also, benefits were felt from corrective action taken last year in the divestment of Aerospace Communication Systems.

A higher final dividend of 1.56p (1.2p) is recommended, making a total of 2.88p (2.4p). Inaddition, a one-for-five scrip issue is proposed and the directors anticipate that the dividend will be maintained on the enlarged ciptal.

Earnings per share improved from 3.81p to 5.56p after tax of £303,000 (£352,000). With the absence this time of extra-ordinary debits (£495,000) there were retained profits of £288,000 (losses £301,000).

Commenting on the year, the chairman said that Cooper Merseyside, a manufacturer of complex components, continued its diversification programme, shifting the emphasis from aircraft components into other defence areas. Profitability improved

VFP Fluid Power reviewed its marketin gstrategy and gave greater focus to its selling activities.

NE (Nuclear) had a successful year during which themaster slave manipulator business was consolidated and expanded.

Sheafbank dividend

Sheafbank Property Trust saw pre-tax profits improve from £25,000 to £158,000 in the year to the end of March 1986 and is proposing to pay a dividend of 0.5p, the first in 13 years.

Gross rental income for this Manchester-based property investor and developer rose to £685,000 (£501,000). But after a lower tax credit of £823 (£103,000), an increase in average shares outstanding and preference dividends, stated earnings per 10p share came out at 0.8p, against 1.09p.

Group Investors

Group Investors, investment trust, has published full details of its proposed unitisation and reconstruction.

In exchange for every GI share, shareholders will receive five units in a new authorised unit trust, CS International Fund, and one share in a new investment company, Group Development Capital Trust.

Assets of CSIF will amount to about 90 per cent of the assets to be transferred to the two new trusts. Portfolios of the trusts will continue to be managed in the same way as GI's portfolio.

Consolidated Tern

Consolidated Tern Investments, the USM quoted plant hire, construction and property group, dived into the red in the six months to March 31, 1986.

With all divisions severely affected by the worst winter's trading in the company's history, the group incurred a £1.3m pre-tax loss for the period, as against a profit of £152,000 last time. The interim dividend is omitted (1.68p net in 1984-5).

Inoco

Inoco, the oil and gas exploration company which obtained a full listing last November, reported a pre-tax loss of £112,087 for the first six months of 1986. There are no comparable figures.

Yearlings at 9⅝%

The interest rate for this week's issue of local authority bonds is 9⅝ per cent. A rate was not set last week. The comparable figure for last year was 10 11/16 per cent. The bonds are issued at par and are redeemable on August 26 1987. A full list of issues will be published in tomorrow's edition.

ABERCOM GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration No. 52/03370/06)

PRELIMINARY REPORT

AUDITED CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 1986	1986 R000	1985 R000
CONTINUING OPERATIONS		
Turnover	379 266	304 835
Income before net interest and taxation	16 464	13 341
Net interest	3 132	1 062
Income before taxation	13 322	12 279
Taxation	1 561	937
Income after taxation	11 761	11 342
DISCONTINUED OPERATIONS		
Loss before interest payable and taxation	4 362	24 580
Interest payable	300	2 507
Loss before taxation	4 662	27 087
Taxation		(1 644)
Loss after taxation	4 669	25 443
TOTAL OPERATIONS		
Income/(loss) after taxation	7 099	(14 101)

AUDITED CONSOLIDATED BALANCE SHEET

At 30 June 1986	1986 R000	1985 R000
CAPITAL EMPLOYED		
Shareholders' equity	91 864	76 909
Deferred taxation	6 835	4 633
Interest bearing borrowings	42 538	41 844
Total	141 337	123 386
EMPLOYMENT OF CAPITAL		
Fixed assets	62 744	58 970
Investments and long term debt	1 569	4 260
Current assets	136 106	106 244
Total assets	199 819	169 474
Current liabilities	58 482	46 068
Total	141 337	123 386

DATA RELATED TO SHARES IN ISSUE

	1986	1985
Average shares in issue (000's)	20 306	21 477
Shares in issue at year end (000's)	20 306	20 306
DATA PER SHARE	Cents	Cents
Earnings		
From continuing operations	58	53
From total operations	35	(69)
Dividends	15	12
Net asset value	452	379

Results

Income before taxation of R13 322 000 from continuing operations was some 8% higher than that for the previous year. Of the R13 322 000, R9 466 000 was earned in the second half of the year as compared with R3 856 000 for the first half.

Losses from discontinued operations include provisions for rentals and related costs of R2 900 000 for a period of two years to June 1988 in respect of unlet leased properties previously occupied by discontinued operations.

Rates of exchange

The results and assets and liabilities of foreign operations were converted to Rand at rates ruling at the close of business on 30 June 1986.

Outlook

We expect trading conditions in our markets in South Africa and overseas to continue to be difficult in the year ahead.

Improvements in operating efficiencies, however, should lead to maintained or slightly improved annual earnings, barring any unforeseen circumstances.

We do not expect further losses from discontinued operations.

Dividend declaration

Final dividend number 46 has been declared by the board at the rate of 9 cents per share (1985 6 cents). Dividends will be payable to shareholders registered on the Johannesburg and London Registers on 19 September 1986. Dividend cheques will be posted on or about 15 October 1986, those for shareholders on the London Register being drawn at the rate ruling at the close of business on 18 August 1986; non-resident shareholders' tax, where applicable, will be deducted. This dividend will absorb R1 828 000.

A.J. van den Berg.
G.F. Buckley } Directors

18 August 1986

Abercom House, Oxford Park
P.O. Box 783454, Sandton 2146, South Africa

De Beers

Interim Report for the half-year ended 30th June 1986

The following are the unaudited consolidated results for the half-year ended 30th June 1986 together with the comparative figures for the half-year ended 30th June 1985, and for the year ended 31st December 1985.

	Half-year ended 30-6-86 R millions	Half-year ended 30-6-85 R millions	Year ended 31-12-85 R millions
Diamond account	447	318	1 140
Investment income	161	127	215
Other interest	41	41	82
Share of retained profits after tax of associated companies	164	160	386
Net surplus on realisation of investments	—	14	27
Net surplus on realisation of fixed assets	—	—	8
	813	660	1 858
Prospecting and research	49	45	109
General charges	7	8	8
Interest payable	48	76	162
Amount written off investment and loans	2	1	3
	106	130	282
Profit before tax	707	530	1 576
Tax	177	105	374
State's share of profit under mining leases	41	22	37
	218	127	411
Profit after tax	489	403	1 165
Profit attributable to outside shareholders in subsidiaries	63	49	128
Dividends on preference shares	1	1	2
	64	50	130
Net profit attributable to deferred shareholders before extraordinary items.	425	353	1 035
Share of extraordinary losses/profits of associated companies	48	60	63
	377	293	972
Dividends on deferred shares	72	54	198
Retained profit	305	239	774
Earnings per deferred share before extraordinary items:			
Excluding share of retained profits of associates	73c	54c	180c
Including share of retained profits of associates	118c	98c	288c
Dividends per deferred share:			
Interim	20·0c	15·0c	15·0c
Final			40·0c

Comment

CSO sales for the first half of 1986 amounted to US $1 214 million or R2 710 million compared with US $837 million or R1 676 million for the corresponding period of 1985, and US $986 million or R2 351 million for the second half of that year. A price increase of 7.5 per cent became effective in May and indications are that the positive trend in diamond sales will continue in the second half.

Over the six months long and medium term liabilities of the Group reduced by R240 million to R740 million, and R89 million of preference shares outstanding at 31st December 1985 were redeemed. Net current assets reduced by R158 million to R328 million, so that the overall improvement in funding amounted to R171 million. The Rand/Dollar exchange rate was $0.4037 at 30th June 1986 compared with $0.3883 at 31st December 1985 and $0.5070 at 30th June 1985.

INTERIM DIVIDEND
Declaration of Dividend No. 133 on the Deferred Shares

On 19th August 1986 dividend No. 133 of 20 cents per share (1985: 15 cents) being the interim dividend in respect of the year ending 31st December 1986 was declared payable to the holders of deferred shares registered in the books of the Company at the close of business on 26th September 1986 and to persons presenting coupon No. 77 detached from deferred share warrants to bearer.

A notice regarding payment of dividends on coupon No. 77 detached from share warrants to bearer, will be published in the press by the London Secretaries of the Company on or about 19th September 1986.

The deferred share transfer registers and registers of members will be closed from 27th September 1986 to 10th October 1986 both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 4th November 1986.

Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 29th September 1986 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 26th September 1986.

The effective rate of non-resident shareholders' tax is 6·818 per cent.

The dividend is payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the board

J. OGILVIE THOMPSON
N.F. OPPENHEIMER } Directors

20th August 1986.

Head Office: 36 Stockdale Street, Kimberley, South Africa.
London Secretaries: Anglo American Corporation of South Africa Limited, 40 Holborn Viaduct, London EC1P 1AJ.
Transfer Secretaries: Consolidated Share Registrars Limited, 40 Commissioner Street, Johannesburg, (P.O. Box 61051, Marshalltown, 2107)
Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

De Beers Consolidated Mines Limited

Registration No. 11/00007/06
Incorporated in the Republic of South Africa

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	5/9	171	165	Acatos & Hutcheson 50p	170	−1	bd 5.25	2.9	4.3	11.3
‡‡	F.P.	15/8	127	108	‡Airspring Group 10p	108	......	5.4	2.8	7.0	7.1
§115	F.P.	22/8	149	128	‡Anglia Sec Homes 10p	149	+5	R1.63	5.0	1.5	18.4
§115	F.P.	22/8	125	118	‡Atlas Conv'Ing Equ 5p	122	+4	R4.9	2.3	5.7	11.0
§67	F.P.	8/8	71	68	‡BBB Design Grp 5p	70	......	L1.0	4.2	2.0	16.8
‡‡	F.P.	—	318	280	BTR Nylex A$0.50	318	+9	Q15c	2.7	2.0	18.8
‡‡	F.P.	—	53	41	Bertrams Inv. Tst	42	......	—	—	—	—
§63	F.P.	6/8	69	61½	‡Camotech 10p	62	−2	R2.0	2.4	4.5	12.7
§110	F.P.	18/7	115	85	‡C'bell & Armstrong 5p	92	−1	u3.9	1.91	6.0	11.7
100	F.P.	4/9	85	84	Child Med C.IT£1‡‡	85	......	—	—	—	—
‡‡	F.P.	—	100	48	Clayform Warrants	48	......	—	—	—	—
§110	F.P.	12/9	123	111	‡Collne Int 5p	123	+8	R2.7	3.4	3.1	13.5
134	F.P.	—	140	134	‡F & H Group 10p	140	......	L4.76	2.5	4.8	11.6
§70	F.P.	22/8	74	71	‡Fletcher Den'ys S. 5p	72	......	L2.5	1.9	4.9	15.3
210	F.P.	—	205	191	G. T. Management 1p	201	−4	R3.0	3.4	2.1	16.9
150	F.P.	25/7	164	150	Guthrie Corp	163	......	u5.3	2.2	4.6	10.4
150	F.P.	15/8	165	156	Harrison Inds. 10p	163	−2	g5.0	2.7	4.3	12.2
§92	F.P.	28/8	95	87	‡Hille Ergonom 10p	92	......	L2.0	3.1	3.1	12.7
§20	F.P.	15/8	25½	21½	‡Hughes Food 5p	24	......	R0.5	2.8	2.9	17.3
—	F.P.	29/8	£37	£36	JF Pacific Warrant S.A.	£37	+½	—	—	—	—
§154	F.P.	13/8	160	157	Kleinwort Dev. Fnd	160	......	—	—	—	—
110	F.P.	5/9	98	90	‡Marina Dev. 50p	98	......	R3.35	3.0	4.5	9.42
§33	F.P.	29/8	34	32	‡Omnitech 1p	32	......	—	—	—	—
§120	F.P.	29/8	120	110	‡Personal Comps. 5p	110	......	R9.0	3.3	3.8	11.2
§113	F.P.	29/8	116	112	St. David's Inv. Tst. Inc.	116	+2	H6.8	—	8.3	—
§75	F.P.	29/8	77	75	Do Cap.	76	......	—	—	—	—
§72	F.P.	15/8	160	99	‡Shield Group 5p	142	−3	L2.0	3.1	2.0	20.7
§165	F.P.	1/8	184	158	‡Smallbone 10p	160	......	u5.0	2.1	4.4	14.9
§98	F.P.	6/8	106	97	‡Space Planning 10p	97	−1	R1.8	3.4	2.6	15.8
§110	F.P.	28/8	125	119	Stanley Leisure	120	......	u3.25	2.8	3.8	13.3
130	F.P.	21/8	158	137	‡TV-am 10p	157	−1	R5.75	2.6	5.2	10.5
120	F.P.	6/8	139	100	Tibbet & Britten 5p	139	+7	R3.5	2.6	3.5	15.5
‡‡	F.P.	—	160	152	VSEL Consortium £1	160	......	W5.68	4.3	5.0	5.0
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	100	......	—	—	—	—
106	F.P.	22/8	112	100	Windsmoor 5p	105	......	u3.25	2.3	4.4	14.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
••	F.P.	—	155	135	Authority Invs. 8% Cnv. Uns. Ln. 2006-11	150	+5
£100	£10	23/10	10	9½	Bournem'th & Dist Wtr 10¼%Rd Db 1996	10	+¼
99.160	F.P.	24/10	99¾	99½	Elect & Gen. Inv. 10¼% Deb. 2011	99¾	......
—	—	—	29	28½	JF Pacific Warrant S. A. Pref.	28½	......
105.523	£25	21/8	26	18	Land Securities 10% 1st. Mort. Deb.25	19¾	+¼
—	F.P.	—	100⅛	99⅞	Nationwide 10¼% 27/7/87	100⅛	......
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

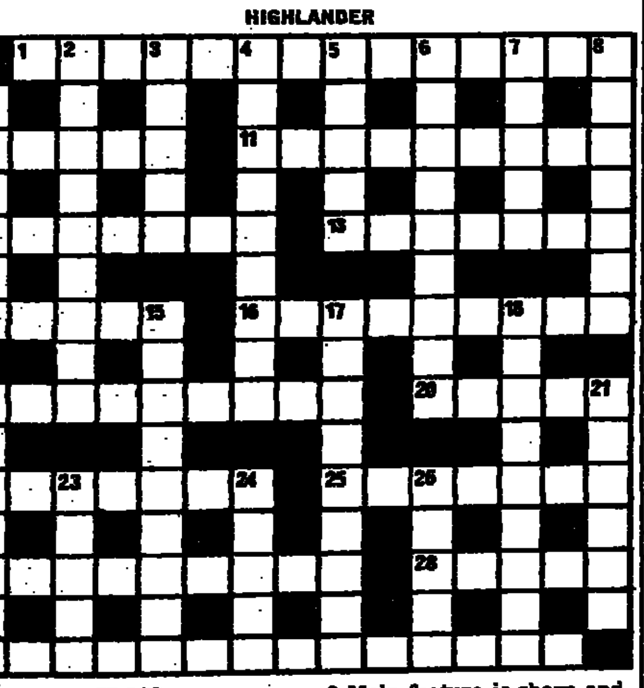
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FT CROSSWORD PUZZLE NO 6,104

HIGHLANDER



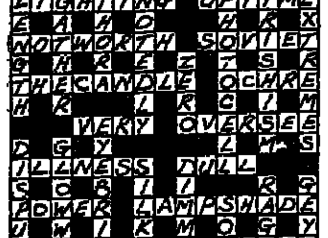
ACROSS

1 Flying Fortress is unlikely to materialise (6,2,3,3).
10 Right about ominous warbling noise (5).
11 Set off by construction worker in dry hay (9).
12 Lady accepts bill for road surfacing (7).
13 Embarrassing problem: Jane's heroine has hat on back to front (7).
14 French vineyard and depository for vinegar (5).
16 Outside the province is a warning for Protestants (9).
19 Teed off right, then pulled. Putting off as well (9).
20 In two different centuries one was shot in the arm (5).
22 Unusual decision: nothing to be overlooked in making cut (7).
25 Bluebottle left a mess in my container (4-3).
27 Oil is changed by club trainer without hesitation (9).
28 Littoral area in Spain where Barrow trader can be heard (5).
29 Adoption of King Charles Street address comes after that point (3, 11).

DOWN

2 Fight with the French to get a drink over the bar (9).
3 It went round, was in front and finished on top (5).
4 Not prepared to use old-time note (9).
5 New version of Aida shows a classical spirit (5).
6 Main feature is sharp and amusing (9).
7 In the end the railway management is topped up (5).
8 Traced again when keeper went up north (7).
9 Type of fuel not much used before internal combustion (6).
15 Performer, having said grace, makes an entrance (9).
17 Device used by pilots to show change-round period (9).
18 Policy is not same if revised (9).
19 Flyer climbs first to allow for the drop (7).
21 Crew chases small island reptile (6).
23 Rope is effective after 100 or 200 yards approximately (5).
24 Draw up in order (5).
26 Meeting a variable cost? (5).

Solution to Puzzle No 6,103



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	18.6	19.8	-0.2	0.15
Pacific Basin	14.0	14.9	-0.1	0.2
Canadian Balncd Grwth	55.6	59.4		0.98
Ginnie Mae	102.7	106.9		7.2

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	54.4	58.0	+0.1	1.50
British Growth (z)	64.6	68.5	...	2.50
British Income (z)	63.8	67.7	+0.4	5.00
British Extra Yield(z)	51.3	52.8	+0.2	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.8	68.9		0.00
U.S. Govmnt Bond F	$0.510	0.512		—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Convibl & Equity Tst	48.1	51.2	+0.1	7.74
Growth Trust	50.6	53.9	+0.4	2.23
Income Trust	53.0	56.4		5.39

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	68.4	72.9	+1.5	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	123.5	131.4	+0.06	3.38

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 8	103.1		—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	206.6	217.5	+0.2	—
Equity Ser. 1	101.1	106.5		—
Prop. Acc. Ser 2	278.0	292.7	+0.2	—
Equity Ser 2	109.9	115.7		—
[illegible]				

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	96.0	102.0		—
Risk & Reward Bond	116.0	123.0		—
Murray Johnstone Fd	120.0	127.0	+1.0	—
Money Market Fd	100.0	106.0		—
Ivory & Sime Pens Fd	98.0	104.0		—
Risk & Reward Pens Fd	98.0	104.0		—
Murray J'stone Pens Fd	115.0	121.0		—
Money Market Pens Fd	100.0	106.0		—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	111.2	117.1		—
Money Fund	220.9	232.6		—
Managed Fund	408.7	430.3	+0.6	—
Equity Fund	251.8	265.1	+0.5	—
Fixed Interest Fund	150.1	158.0	-0.4	—
Far East Fund	217.1	228.6	+0.4	—
North American Fund	176.7	186.0	-0.8	—
Natural Resources Fund	132.6	139.6	+2.5	—
Pension Managed Fund	375.0	394.8	+0.8	—
Pension Equity Fund	240.1	252.8	+0.8	—
Adventurous Mngd Fd	107.5	113.2	+0.2	—
Balanced Mngd Fd	104.3	109.8	+0.2	—
Conservative Mngd Fd	104.3	109.8	+0.2	—
European Fund	103.0	108.4	+0.1	—
International Fund	103.7	109.2	+0.1	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	133.6	140.7	+0.1	—
Equity	149.1	157.0	-0.2	—
Property	108.4	114.2		—
Gilt & Fixed Interest	117.2	123.4	+0.8	—
Indexed Securities	101.1	106.5	+0.3	—
Cash	107.1	112.8	+0.1	—
North American	108.3	114.0	-0.3	—
Far East	137.7	145.0	+0.6	—
International	125.8	132.5		—
Special Situations	146.7	154.5	-0.3	—
International Income	137.5	144.8	-0.1	—
American Income	114.4	120.5	+0.1	—
European	146.0	153.7	+0.2	—
Flexible Retirement Plan				
Mixed	138.7	146.0	+0.2	—
Equity	144.9	152.6	+0.1	—
Property	112.7	118.7	+0.1	—
Gilt & Fixed Interest	123.5	130.1	+0.7	—
Indexed Linked	104.1	109.6	+0.3	—
[illegible]				

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$19.19		+0.11	–

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$17.22		+0.66	–

Inv Adv M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$19.10		+0.15	..
Dynamic Gwth Fd	$23.47		+0.21	..

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.02	12.71	.	–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.45		–0.05	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fund	9.59	7.17	10.46	6mth
7-day Fnd	9.58	7.16	10.45	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.57	7.15	10.25	6-Mth
7-day Fund	9.57	7.15	10.24	6-Mth
Dollar	5.31	–		6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	9.25	6.60	9.53	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	9.25	6.91	9.49	Qtr
Mth Int. Chq	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.30	6.95	10.11	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.53	7.00	10.12	Qtr
Benchmark Trust Ltd 9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	10.00	7.47	10.08	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	10.33	8.50	7.10	Mth
U.S. Dollar	5.87	4.39	6.31	Mth
German Marks	4.0	2.99	4.27	Mth
Swiss francs	1.50	1.12	1.59	Mth
Japanese Yen	4.27	4.00	2.99	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-741 4941				
Money Market Plus	£25,000+	7.50	10.93	Mth
For other rates please 'phone her Rateline 01-846 9758				
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	9.50	7.10	10.30	Qtr
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc	9.30	6.95	10.11	Mth
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	9.70	7.25	10.39	6-mth
Lloyds Bank PLC 71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	9.00	7.20	10.42	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.00	6.72	9.46	–
M & G/Kleinwort Benson M & G Hse., Victoria Rd., Chelmsford 0245 266366				
H.I C.A. (£2,500+)	9.20	6.87	10.00	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.03	6.75	9.75	Qtr
£10,000 +	9.36	7.00	10.12	Qtr
M.I.M. Britannia Ltd 74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Cater Allen	9.50	7.10	10.3338	–
NatWest Special Reserve Account 41 Lothbury, London, EC2P 2BP 01-256 9933				
£2,000 to £9,999	9.25	6.875	9.94	Qtr
£10,000 and above	9.375	7.00	10.12	Qtr
Oppenheimer Money Mgmnt Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acc	9.25	–	–	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	9.50	7.10	10.27	Qtr
Provincial Trust 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.25	7.66	11.17	Mth
Royal Bank of Scotland plc 42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.50	7.10	10.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.10	6.80	9.91	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	9.52	7.20	10.30	Qtr
Money Acc	9.36	7.00	10.13	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	9.58	7.20	10.30	Mth
Over £20,000	9.58	7.16	10.45	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5E 0752 224141				
High Int Chq Acc	10.00	7.47	10.81	Qtr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.00	8.22	...	Qtr.

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. φ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	30
Amstrad	23
BAT	55
BOC Grp	28
BSR	11
BTR	28
Babcock	17
Barclays	45
Beecham	40
Blue Circle	55
Boots	22
Bowaters	30
Brit Aerospace	45
Brit. Telecom	17
Burton Ord	28
Cadburys	17
Charter Cons	22
Comm Union	28
Courtaulds	26
FNFC	17
Gen Accident	75
Gen Electric	17
Glaxo	85
Grand Met	34
GUS 'A'	85
Guardian	75
GKN	32
Hanson Tst.	16
Hawker Sidd	48
ICI	55
Jaguar	38
Ladbroke	32
Legal & Gen	24
Lex Service	28
Lloyds Bank	38
Lucas Inds	52
Marks & Spencer	18
Midland Bk	44
Morgan Grenfell	30
NEI	11
Nat West Bk	48
P & O Dfd	45
Plessey	18
Polly Peck	16
Racal Elect	16
RHM	20
Rank Org Ord	45
Reed Intnl	75
STC	16
Sears	12
TI	42
Tesco	32
Thorn EMI	40
Trust Houses	15
Turner Newall	18
Unilever	120
Vickers	40
Wellcome	17
Property	
Brit Land	16
Land Secs	30
MEPC	32
Peachey	24
Samuel Props	25
Oils	
Brist. Oil & Min.	2½
Brit Petroleum	48
Burmah Oil	30
Charterhall	4
Premier	3½
Shell	55
Tricentrol	11
Ultramar	18
Mines	
Cons Gold.	40
Lonrho	24
Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Congress at odds over stockpile policy

By Nancy Dunne in Washington

A HOUSE-SENATE conference committee next month will have the difficult task of reconciling widely differing Bills on the future of the US strategic minerals stockpile.

Legislation, which passed in the House last week along with the Defence Authorisation Bill, transferred control over the stockpile from the President to the Pentagon. Under the provision, Congress would set goals for acquisitions and sales based on US import reliance.

The Senate rejected a similar measure and approved sales of $120m worth of materials from the stockpile. The Senate also budgeted $120m for acquisitions, including a $30m purchase of germanium.

The Administration is strongly opposed to the House legislation which it sees as an attempt to derail its long-stalled proposal to sell of $3.2bn in stockpiled materials. However, the Administration sell-off plan has come under fire from the non-partisan General Accounting Office (GAO).

In a preliminary report the GAO said the plan grew out of a National Security Council (NSC) study, which "does not appear to provide a sufficient basis for setting stockpile goals or for other US mobilisation planning."

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per *tonne, in warehouse,* 2,300-2,425.

BISMUTH: European free market, min. 99.99 per cent, $ per pound, tonne lots in warehouse, 2.40-2.60.

CADMIUM: European free market, min. 99.95 per cent, $ per pound, in warehouse, ingots, 0.85-0.92, *sticks, 0.87-0.93.*

COBALT: European free market, 99.5 per cent, $ per pound, in warehouse, 3.70-4.00.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 140-150.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per pound Mo, in warehouse, 2.90-3.05.

SELENIUM: European free market, min. 99.5 per cent, $ per pound, in warehouse, 4.90-5.10.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 36-46.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources $ per lb. V_2O_5 cif, 2.45-2.52.

URANIUM: Nuexco exchange value, $ per pound U_3O_8, 17.00.

Supertanker blaze under control

Tugboats extinguished a blaze aboard a Norwegian-owned supertanker yesterday in one of the biggest marine salvage operations since the Gulf War began, shipping executives said, AP reports from Manama.

DROUGHT PROBLEMS FOR EEC FARMERS

French crop fears grow

BY PAUL BETTS IN PARIS

THE DROUGHT which has hit central and southern France for the second consecutive year is causing increasing alarm to the French farming community and a growing political and economic headache for Mr Jacques Chirac, the conservative Prime Minister and a former agricultural minister.

As many as 18 departments have been declared disaster zones by the Government. Fodder supplies are becoming critical for cattle farmers with the worst affected complaining of shortages of between 50 per cent and 85 per cent of their normal stocks.

French cereal producers are particularly worried. The French Wheat and Cereal Producers Association has warned that French wheat and barley production will decline by about 12 per cent this year to about 35.7m tonnes from 39.9m tonnes the year before. The Association also expects the income of producers to decline by about 25 per cent this year.

The Agriculture Ministry in Paris was this week forced to reduce its harvest estimates. It is now forecasting 1986 soft wheat production at 26.15m tonnes, and barley output at 10.15m tonnes, compared with 28.14m and 11.44m in 1985.

The current situation is all the more alarming because it follows a previous drought last year which was compounded by the subsequent harsh winter. Farm incomes remain under pressure and recent statistics show that the total indebtedness of French farmers has continued to rise. The latest figures show that their indebtedness had increased to FFr 190bn by the end of 1984.

Although the Conservative Government of Mr Chirac has tried to appease farmers in the worst hit regions of Aquitaine, Auvergne, Burgundy, Languedoc-Roussillon, Limousin, Midi-Pyrenees and Provence, with promises of fresh aid, it has so far hesitated to launch a costly rescue operation. This reflects the Government's current efforts to hold down spending as it prepares the 1987 Budget, which is due to be completed at the end of next month.

However, additional support for farmers is now widely expected to be included in the budget in the face of the worsening situation. Mr Francois Guillaume, the former farmers' union leader appointed Agricultural Minister by Mr Chirac, has been coming under intense pressure from his former members and has in turn been lobbying hard for additional aid in next year's budget.

Among measures so far approved by the Government is support for emergency distressed regions from the Government's special fund for agricultural disasters. But farmers are still receiving compensation from this fund for last year's drought damage. The Government is now trying to speed up the outstanding compensation payments for 1985 still due to farmers.

The Government has also appointed a special drought commissioner—the so-called "Monsieur Sécheresse" or "Mr Drought"—to draw up an extensive review of the situation and make recommendations for tackling the problem. Negotiations are also taking place with the French state railways to reduce the cost of transporting emergency forage supplies to distressed areas. A further relief measure has been the Government's decision to ask the European Community to authorise the supply of 400,000 tonnes of barley and feed wheat from French intervention stores to drought-hit farmers. This was granted on Monday.

But farmers claim that these measures are inadequate and have been pressing for a greater and swifter aid commitment from Mr Guillaume, who is finding life as a Minister increasingly uncomfortable, and from Mr Chirac himself. But

Spain forced to import wheat

BY DAVID WHITE IN MADRID

SPAIN IS having to resume imports of barley and wheat this year in the face of drought-hit cereal crops, officials of the cereal - purchasing agency, Senpa, have confirmed.

After two years of exceptionally good harvests, crops are now expected to be down by a third or more on average because of early hot weather and drought, especially affecting the Douro River basin, leaving the country with a deficit in cereals estimated at 4m tonnes.

The officials said the new import requirements were essentially for barley but that Spain had already begun to import some wheat. They put the quantities of wheat imported so far at between 10,000 and 20,000 tonnes, but said that the year's quota of 175,000 tonnes from the rest of the EEC was likely to be needed in full.

In the last crop year, Spain's import needs were limited to maize, of which it purchased about 3.2m tonnes.

The total Spanish cereal harvest this year is expected to be no more than about 15m tonnes, compared with about 21m tonnes in 1984 and 1985 and domestic requirements — principally for animal feed—of between 19m and 20m tonnes.

Initial forecasts by Senpa, which indicate crop reductions of between 20 and 40 per cent, are likely to be cut further because of the drought in the Castilla-Leon region. This mainly affects the outlook for barley, which according to the agency's forecasts was already expected to suffer a 33 per cent reduction to 7.11m tonnes.

Barley, which Spain has sought to develop as a substitute for maize, produced a 10.67m tonne crop last year, the same as 1984's, a historical record.

The initial outlook, based on data at the end of June, also shows reductions in wheat from 5.33m tonnes to 4.17m, oats from 719,000 tonnes to 431,000 and rye from 295,000 tonnes to 237,100. There is no forecast so far for maize.

Farmer's organisations have cited lower figures for wheat and barley, claiming a fall of 50-60 per cent in the cereal harvest in the Douro basin and 40 per cent for the whole country.

In 1985, Spain exported cereals to the value of Pts 21.68bn ($160m).

EEC butter mountain still growing

BY TIM DICKSON IN BRUSSELS

THE EEC butter mountain reached a new peak of 1.358m tonnes at the end of last month, up from 972,000 tonnes a year ago, according to figures published here yesterday. At the same time the skimmed milk surplus has more than doubled to 988,000 tonnes.

Statistics like this emphasise the problem facing European Commission officials, who already acknowledge that the system of milk quotas introduced in 1984 to curb output is simply not working.

Various schemes such as selling old butter to animal feed manufacturers and making more available to old people and the unemployed have either been implemented or are under discussion in Brussels. But the spiralling costs of intervention buying and storage suggest that more radical proposals will be needed come the autumn.

● The EEC has decided to sell 100,000 tonnes of beef to Brazil in a move which should reduce the Community's surplus stocks to just over 500,000 tonnes, compared with 740,000 tonnes at the end of June.

The decision—reached by the relevant market management committee yesterday and likely to be implemented by the Commission in the next few days — follows the sale of a similar quantity last month. The price this time is understood to be around $497 per tonne, or $50 per tonne more than the average price for the July consignment. Italy will supply 30,000 tonnes, France 40,000 tonnes, the UK 20,000 tonnes and Ireland 10,000 tonnes. Such sales have aroused fears among European meat processors that the beef could be re-exported back to Europe as corned beef. But although the Commission deals through independent traders, officials are happy that the meat is for domestic consumption.

London tries again on crude oil futures

BY LUCY KELLAWAY

UNDETERRED BY a history of failure, London's International Petroleum Exchange is having a third try at establishing a futures market for crude oil in London.

Despite such an unpromising record, this time its chances of success seem fair, if not good. A curiously terse press release put out by the IPE last week showed that what was critically absent in the first two attempts may be present in the third—the support of the major oil companies.

Even if the big oil companies are not fully behind this latest effort, they are at least prepared to talk about it. A committee has been set up which, according to the IPE, consists of "a wide cross section of the trade including the major oil companies."

At stake is the replacement of the existing somewhat shambolic Brent forward market by a regulated futures market. At the moment the Brent market consists of traders dealing in both spot and forward physical cargoes. The market is unstructured and unregulated, it is not located in a single place but made up of a collection of oil traders strung together by telephone wires and by about a dozen oil brokers.

By contrast, trading in oil futures would take place on the floor of the exchange, with all deals in standardised form, cleared and regulated by the exchange, and with all prices clearly posted.

If the major companies have shifted their position on crude futures somewhat, it is not hard to understand why. Three years ago they were flatly unenthusiastic about a North Sea crude futures contract. The market in Brent oil was theirs, they understood it and in a limited way controlled it too. There was nothing obvious to be gained by the introduction of futures, or by opening the market to a bunch of speculative futures traders. Indeed, in terms of control there was a good deal to be lost.

However, the collapse of the "daisy chains" — created as each cargo gets bought and sold many times over—earlier this year showed that the Brent forward market was badly flawed, and ill-equipped to cope with violent price movements. Last February, when the price

Traders on the Petroleum Exchange

of oil had fallen by half, the majors found themselves bailing out weaker traders who walked away from contracts on which they had made heavy heavy losses.

In the aftermath of February's collapse, trading dried up. In an attempt to get things moving again, and to prevent a further series of defaults, the majors tried to tighten the credit terms of their contracts. Their efforts met with only partial success. While the market has regained much of its former liveliness, the new contracts, created by Shell and BP, have not gained wide acceptance, and much of the trading is still taking place on the old basis. It seems that majors' main method of protection against another collapse is to become ever more selective about whom they deal with.

thinks that success may at last be within reach.

Against such a haphazard system, a single marketplace in which traders put up a margin against default, overseen and regulated by a futures exchange, starts to look an attractive alternative. The IPE, at least,

"We've had a series of discussions with traders, many of whom were worried about the problems with the Brent daisy chains. What we are trying to do now is to devise a contract which would provide proper registration, back-up and so on . . . all the things that the 15 day Brent market doesn't have," says Mr Peter Wildblood, chairman of the exchange. The response from major oil companies, refiners and traders has been "extremely good," he says.

There are several obstacles to be overcome before there is any question of a launch. The first is to get clearance from the tax man, who looks upon trades in the Brent forward market as suitable for establishing as a tax reference point. While the Oil Tax Office has indicated in preliminary talks with the IPE that a futures contract would get similar treatment, a change of heart would cause the project to be aborted at once.

A whole series of technical problems need solving too, such as whether other crude oils should be included as alternatives to Brent, the exact form the settlement prices should take, and so on.

If the majors are as willing as Mr Wildblood says, such matters should prove relatively easy to work out. However, while the big oil companies are prepared to countenance the possibility of a crude futures market, firm commitment to the scheme is still a long way off.

"I'm not particularly wild about this new contract," said one trader from a major oil company. "We already have a perfectly serviceable way of trading, and in any case we don't want to widen the pitch to let in players who have nothing to do with oil."

Such concern may be overstated, however. The contract now under discussion would not let in every London cab driver, like the famed "locals" in New York.

Based on 600,000 barrels of Brent with physical delivery at Sullom Voe, it is no tool for the small punter. The new market is being designed to resemble as closely as possible the existing forward market, and it is unlikely that its creation would bring in many new players.

If the contract succeeds, the most obvious losers will be the oil brokers, for whom matching trades in the Brent market is a very lucrative business. In the past they have lobbied hard among their customers to dissuade them from using the futures market. But this time it may be more difficult to get their message across.

"I don't know whether the contract will catch on—all I can say is that I hope to God it won't," said one uncomfortable oil broker.

LONDON MARKETS

THE WEAKNESS of the sugar futures market towards the close was the outstanding feature of London's soft commodity markets yesterday. Lack of physical offtake, reports of cheap sales to Tunisia and an easier tone in New York combined to push nearby values about $6 lower. Coffee futures consolidated their recent gains with the November positions edging up another £7.50 to £2,020 a tonne, a 3-month high. But cocoa prices were a few pounds lower in featureless trading. Gold continued to settle back following last week's excitement and the London bullion price ended $2.50 down at $375.25 a tonne, after recovering from lower levels. On the London Metal Exchange cash zinc lost £5 of Monday's £9 advance at £546.50 a tonne. Aluminium fell for the fourth day in succession as sterling firmed against the dollar. The cash price ended £4.50 down at a one-month low of £742.50. LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Aug 19	Aug 18	M'th ago	Year ago
1449.7	1445.6	1435.6	1609.8

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Aug 18	Aug 15	M'th ago	Year ago
Spot	117.01	116.99	–	115.28
Fut	116.13	115.90	–	114.95

(Base: December 31 1931=100)

MAIN PRICE CHANGES

ALUMINIUM

COPPER

COCOA

LEAD

COFFEE

NICKEL

TIN

SOYABEAN MEAL

ZINC

GOLD

GRAINS

SILVER

JUTE

MEAT

POTATOES

US MARKETS

SILVER closed marginally higher while gold and platinum finished lower, but off session lows, reports Heinold. The market gained support from weaker than expected GNP figures and mounting concern about another possible discount rate cut. The lower GNP figures caused the bond market to rally which lent support to the precious metals. However, the market remained overbought and profit-taking pressure pushed prices downwards after last week's sharp rally on speculation of US economic sanctions against South Africa. Coffee futures closed sharply higher to limit-up. The market continued to feed off reports of last Friday that Brazilian Coffee Institute president, Mr Graciano, expected the new Brazilian 1986-87 crop estimate to be under earlier expectations. Following the sharp gains of the past three days the market is firmly set in a strongly technical position. Prior to the gains it was in a bottoming process but was helped by gains through resistance levels such as 175c, basis December. Cocoa futures eased gently during a featureless day's trading. There was light inter-dealer activity and arbitrage selling while the prospect of the Ivory Coast entering the market as a seller in the next few days helped depress prices towards the close.

NEW YORK

CHICAGO

RUBBER

SUGAR

OIL

FREIGHT FUTURES

GAS OIL FUTURES

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar weak on poor GNP

THE DOLLAR fell to new lows in currency markets yesterday, following the release of disappointing US second quarter GNP figures. The second quarter revision showed a rise of 0.6 per cent, down from 1.1 per cent earlier and well below market estimates of a 1-1½ per cent increase. Trading had virtually ground to a halt before the figures were released with most traders expecting little change either in the GNP or in the dollar's value.

The US unit had been towards the upper end of its recent trading range earlier in the day after a bout of short covering but after the figures were announced there was a greater willingness to run short on dollars once again. Against the yen it finished at its lowest closing level ever of Y153.40 down from Y154.10 on Monday and it closed at a five and a half year low in terms of the D-Mark at DM 2.0580 compared with DM 2.0705. Elsewhere its slipped to SFr 1.6580 from SFr 1.6755 and FFr 6.71 from FFr 6.7375. On Bank of England figures, the dollar's exchange rate index fell from 110.8 to 110.4, its worst level since January 1982.

The Australian dollar was quite firm, following an announcement by the Australian Federal Government that it had cut its budget deficit to A$3½bn, lower than the A$4bn expected.

£ IN NEW YORK

Aug 19	Latest	Prev. close
Spot	$1.4925-4935	$1.4895-1.4905
1 month	0.48-0.46 pm	0.48-0.47 pm
3 months	1.30-1.26 pm	1.30-1.28 pm
12 months	4.55-4.45 pm	4.55-4.45 pm

Forward premiums and discounts apply to the US dollar

The US dollar fell to A$1.5857½ from A$1.5980.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. July average 1.5089. Exchange rate index 72.0 against 71.7 at the opening and Monday's close. The six months ago figure was 74.5.

Sterling finished at its best level of the day, helped by steady oil prices and Monday's better than expected PSBR figures. Dealers noted some switching into sterling in reaction to its recent weaker trend and this was continued as the dollar lost ground. The pound rose to $1.5020 from $1.4930 but was unchanged against the D-Mark at DM 3.0925. Against the yen it rose to Y230.50 from Y230.0 and FFr 10.0775 from FFr 10.06. It was weaker against the Swiss franc at SFr 2.49 compared with SFr 2.5025.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 2.0580. July average 2.1521. Exchange rate index 139.2 against 132.5 six months ago.

The D-Mark improved against the dollar in Frankfurt yesterday, following a downward revision in US second quarter GNP to a rise of 0.6 per cent from 1.1 per cent previously. The dolar closed at DM 2.0590 down from DM 2.0640 on Monday. Earlier in the day it had been fixed at DM 2.0705. Morning trading had seen the dollar move higher on short covering but this was soon reversed after the announcement.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.40. July average 1.5089. Exchange rate index 218.5 against 194.6 six months ago.

Attention was focussed on the release of US 2nd GNP revisions in Tokyo yesterday and the yen traded within a very narrow range against the dollar ahead of the announcement. The dollar had recovered on short covering but finished slightly below its best level at Y154.15 still up from Y153.95 on Monday. Most dealers expected growth figures to show little change from the previous estimate which showed a rise of 1.1 per cent. There was also speculation about a possible cut in the US discount rate with dealers watching the Fed and its money market operations closely for some clue.

POUND SPOT—FORWARD AGAINST POUND

Aug 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4880-1.5040	1.5015-1.5025	0.48-0.45c pm	3.72	1.32-1.27 pm	3.45
Canada	2.0772-2.0962	2.0940-2.0950	0.30-0.22c pm	1.49	0.58-0.42 pm	0.95
Nethlnd.	3.46¾-3.49	3.48-3.49	1½-1¼c pm	4.73	3⅞-3⅝ pm	4.30
Belgium	63.81-64.18	63.85-63.95	18-13c pm	2.91	45-38 pm	2.54
Denmark	11.60½-11.64½	11.62½-11.63½	⅛ pm-⅛ ore dis	—	⅛ pm-⅜ d	−0.09
Ireland	1.1105-1.1165	1.1130-1.1140	Par-0.10p dis	−0.54	0.05-0.20 d	−0.45
W. Ger.	3.08-3.09¾	3.08¾-3.09¾	1½-1¼pf pm	5.34	4⅞-3¾ pm	5.09
Portugal	217.39-220.57	218.92-220.57	65-160c dis	−6.16	195-460 dis	−5.98
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

CURRENCY MOVEMENTS

August 19	Bank of England Index	Morgan Guaranty Change %
Sterling	72.0	−20.6
U.S. Dollar	110.4	+2.0
Canadian Dollar	76.8	−13.4
Austrian Schilling	130.5	+8.0
Belgian Franc	95.4	−5.9
Danish Kroner	88.1	+0.3
Deutsche Mark	139.2	[illegible]
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	218.5	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Aug 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

CURRENCY RATES

Aug. 19	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

* CS/SDR rate for August 18: [illegible].

EXCHANGE CROSS RATES

Aug.19	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000; French Fr per 10; Lira per 1,000; Belg Fr per 100.

OTHER CURRENCIES

Aug. 19	£	$
[illegible]	[illegible]	[illegible]

* Selling rate.

EURO-CURRENCY INTEREST RATES

August 19	Short term	7 Days notice	Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 19	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Strong demand

PRICES were sharply higher in the London International Financial Futures Exchange yesterday, following a surprisingly large downward revision in US second quarter GNP. A rise of 0.6 per cent compared with a previous figure of 1.1 per cent was some way below most expectations and immediately prompted renewed demand as hopes of lower interest rates grew. The current meeting of the US FOMC will be under increasing pressure to take a more accommodative stance with many dealers now expecting a cut in the US discount rate to be brought forward.

December Euro-dollars swept aside a recent resistance level of 93.88 after the announcement and finished at the day's high of 93.94 up from 93.80 on Monday. US bonds were also in good form, coming back from an early low of 100-30 in the September contract to finish at 101-29 up from 100-03 at the previous close. A rise in the rate of inflation to 2.5 per cent from 2.1 per cent as measured by the implicit price deflator was ignored for the time being.

Sterling based instruments were also higher, reflecting an improved sentiment in sterling and a slight softening in cash rates. The September long gilt, which traded over 14,000 lots, opened at 120-24 up from 120-18 and finished at the day's high of 121-28.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Calls—Last Dec	Calls—Last Mar	Calls—Last June	Puts—Last Sept	Puts—Last Dec	Puts—Last Mar	Puts—Last June
116	5.58	6.29	—	—	0.00	0.47	—	—
118	3.56	4.62	—	—	0.00	1.16	—	—
120	1.58	3.43	—	—	0.02	1.61	—	—
122	0.26	2.39	—	—	0.34	2.57	—	—
124	0.01	1.50	—	—	2.09	4.04	—	—
126	0.00	1.10	—	—	4.08	5.28	—	—
128	0.00	0.46	—	—	6.08	7.00	—	—
130	0.00	0.28	—	—	8.08	8.46	—	—

Estimated volume total, Calls 1,859 Puts 990
Previous day's open int. Calls 13,285 Puts 5,352

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Calls—Last Dec	Calls—Last Mar	Calls—Last June	Puts—Last Sept	Puts—Last Dec	Puts—Last Mar	Puts—Last June
88	13.58	13.38	—	—	0.00	0.06	—	—
90	11.58	11.44	—	—	0.00	0.16	—	—
92	9.58	9.57	—	—	0.00	0.29	—	—
94	7.58	8.12	—	—	0.00	0.48	—	—
96	5.58	6.41	—	—	0.01	1.13	—	—
98	3.58	5.16	—	—	0.00	1.52	—	—
100	2.01	4.03	—	—	0.07	2.39	—	—
102	0.41	3.03	—	—	0.47	3.39	—	—

Estimated volume total, Calls 223 Puts 92
Previous day's open int. Calls 2,517 Puts 1,168

MONEY MARKETS

UK rates slightly easier

IMPROVED SENTIMENT encouraged longer term rates to ease a little in London yesterday. Sterling was a little firmer, helped by a weaker dollar and growing signs that the US may be ready to cut its discount rate again to counter disappointing GNP figures. Six and 12-month interbank money shed 1/16 of a point while the three-month rate finished at 9 13/16-9 11/16 per cent compared with 9⅞-9 13/16 per cent. Overnight money at 9¾-10 per cent and rose to 11 per cent where it finished.

UK clearing bank base lending rate 10 per cent since May 22

The Bank of England forecast a shortage of around £450m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £286m and the unwinding of previous sale and repurchase agreements a further £271m. In addition banks brought forward balances £85m below target. These were partly offset by Exchequer transactions which added £145m and a fall in the note circulation of £70m. The Bank gave assistance in the morning of £48m through outright purchases of eligible bank bills, £11m in band 1 at 9⅞ per cent, £8m in band 2 at 9 13/16 per cent and £29m in band 3 at 9¾ per cent.

The forecast was later revised to a shortage of around £500m before taking into account the early help and the Bank gave additional assistance in the afternoon of £195m through outright purchases of £12m of eligible bank bills in band 1 at 9⅞ per cent, £153m in band 2 at 9 13/16 per cent and £30m in band 3 at 9¾ per cent. Late assistance came to £180m, making a total of £423m.

In Frankfurt the latest sale and repurchase tender offered by the Bundesbank attracted bids of nearly DM 21bn of which DM 6.5bn were accepted. Funds will be allocated today, more than offsetting an expiring facility of DM 4.9bn. However, the implications of such a move may be limited since the rate remains fixed at 4.35 per cent. Nevertheless there is a growing feeling however that the Bundesbank may cut its discount rate currently standing at 3.5 per cent, given a recent improvement in the D-Mark's value and renewed pressure from the US to participate in a co-ordinated cut in rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. August 19)

Three months US dollars		Six months US dollars	
bid 6 1/16	offer 6 3/16	bid 6 1/16	Offer 6 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

NEW YORK RATES

(Lunchtime)

Prime rate	8
Broker loan rate	7¼
Fed funds	6⅛
Fed funds at intervention	6⅛

Treasury Bills & Bonds

One month	5.17
Two month	5.50
Three month	5.71
Six month	5.80
One year	5.89
Two year	6.27
Three year	6.37
Four year	6.54
Five year	6.68
Seven year	6.88
10 year	7.01
30 year	7.18

LONDON MONEY RATES

August 19	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	9⅞-10⅛	9⅞-10	9 1/16-9 1/2	9 5/8-9¾	9 9/16-9⅝
Sterling CDs	—	—	9 13/16-9 11/16	9⅝-9¾	9½-9⅝	[illegible]
Local Authority Deps	[illegible]	9¾-9⅞	9⅞	9 1/16	9 7/16-9⅝	9 7/16-9⅝
Local Authority Bonds	—	—	10¼	10 1/16	9 11/16	9 11/16
Discount Mkt Deps	[illegible]	—	9 11/16	9½	—	—
Company Deps	[illegible]	10⅛	10-10⅛	9 11/16	9 11/16	9 11/16
Finance House Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one month [illegible] per cent; three months [illegible] per cent. Bank Bills (sell): one month [illegible] per cent; three months [illegible] per cent. Treasury Bills: Average tender rate of discount [illegible] per cent. ECGD Fixed Finance Scheme IV reference date July 2 to August 5 (inclusive): [illegible] per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from August 1 1986. Bank Deposit Rates for sums at seven days' notice [illegible] per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months [illegible] per cent; three-six months [illegible] per cent; six-nine months [illegible] per cent; nine-12 months [illegible] per cent. Under £100,000 [illegible] per cent from August 6. Deposits held under Series 5 [illegible] per cent. Deposits withdrawn for cash [illegible] per cent.

MONEY RATES

August 19	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ti'n
Frankfurt	4.45-4.55	4.50-4.60	4.60-4.60	4.50-4.65	4.50-4.65	5.5
Paris	7	7⅛-7¼	7 3/16-7 5/16	7⅛-7¼	7⅛-7¼	7
Zurich	7/8-1⅛	4¼-4⅜	—	4¼-4⅜	—	—
Amsterdam	5 13/16-6 1/16	5 13/16-6 1/16	—	5 9/16-5 11/16	—	—
Tokyo	4.55125	4.78125	—	4.71875	—	—
Milan	11¼-12½	11¼-11⅝	—	11⅛-11¼	—	—
Brussels	6.55	7⅛-7¼	—	7 3/16-7 5/16	—	—
Dublin	9⅛-9¾	9 1/16-9⅜	10⅛-10⅜	10¼-10½	10¼-10½	—

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18th August, 1986

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Sanwa International Limited	Sanyo International Limited
J. Henry Schroder Wagg & Co. Limited	Yamatane Securities (Europe) Ltd.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	100	Exch. 14pc 1986	100	.....	13.91	10.06
98⅞	94⅞	Exch 2½pc 1986	98	.....	2.53	7.16
102	100	Exch. 13¼pc 1987	101½	+	13.05	9.35
100⅞	97	Treas 10¼pcCv '87	100	.....	10.22	9.45
97	92	Exch 2½pc 1987	97¼xd	+	2.54	7.02
101⅛	97½	Exch. 10½pc 1987	100	.....	10.45	9.63
98⅝	93⅝	Funding 6½pc '85-87‡‡	98	+	6.60	8.80
101⅛	96	Treas. 10pc 1987	100	+½	9.95	9.40
97	90⅞	Treas 3pc 1987	96½	+	3.09	7.07
104½	99⅞	Treas. 12pc 1987	102	+	11.69	9.52
99¾	92	Treas 7¾pc 1985-88‡‡	98	+	7.89	9.18
104	96⅛	Exch 10½pc '88	101⅝	+	10.33	9.41
102⅝	95⅛	Treas 9¾pc Cv '88	100⅛	+⅛	9.70	9.46
94⅝	86⅝	Transport 3pc '78-88	92	+	3.22	7.17
102½	93	Treas. 9½pc '88	100	+	9.48	9.43
107	98	Treas 11½pc 1989	104 xd	+	10.98	9.40
103½	93⅛	Treas 9½pc Cnv. '89	100	+	9.47	9.39
92⅛	82	Treas 3pc 1989	89	+	3.35	7.32
105	95	Treas 10½pc 1989	102	+	10.23	9.42
104	94⅛	Exch.10pc 1989	101⅛	+	9.87	9.51
107	97	Exch 11pc 1989	103⅞	+	10.58	9.09
93	84½	Treas 5pc 1986-89	91	–⅛	5.44	8.10
110	94⅝	Exch 10¼pcCv '89	105½	+	9.71	8.25
114	103	Treas 13pc 1990‡‡	110	+	11.75	9.28
108⅛	97⅛	Exch 11pc 1990‡‡	104	+	10.48	9.33
113⅛	101	Exch. 12½pc 1990	109½xd	+¼	11.41	9.35
89¼	79⅝	Treas. 3pc 1990	86⅛	.....	3.48	7.33
100	89⅝	Treas 8¼pc 1987-90‡‡	97⅝	+⅛	8.47	9.06
106	93	Treas. 10pcCv 1990	102⅛	+	9.80	9.38
86	76½	Exch 2½pc 1990	83⅛	+⅛	2.98	7.08
112	99	Treas 11¼pc 1991	108	+	10.86	9.40
94⅛	83	Funding 5¾pc '87-91‡‡	91⅛	+	6.30	8.08
86⅛	82⅞	Treas. 3pc 1991●	83	+	3.60	7.30
		Five to Fifteen Years				
110⅝	96	Exch. 11pc 1991	106⅝	+⅛	10.32	9.34
118⅛	103⅝	Treas 12¾pc 1992‡‡	113⅛	+⅛	11.21	9.43
107⅝	92	Treas 10pc 1992	102⅞xd	+⅛	9.72	9.31
109⅝	94	Treas 10½pc Cv 1992‡‡	104⅞	+⅛	10.01	9.36
117⅛	101	Exch. 12¼pc '92	112⅛xd	+⅛	10.90	9.50
123⅛	106	Exch 13½pc 1992	117⅛xd	+⅛	11.46	9.60
108	94⅛	Treas 10pc 1993‡‡	103	+⅛	9.71	9.38
120⅞	103½	Treas 12½pc 1993‡‡	115⅛	+⅛	10.86	9.46
92	78½	Funding 6pc 1993‡‡	91xd	+⅛	6.59	7.67
128⅛	109	Treas 13¾pc 1993‡‡	121⅛	+⅛	11.33	9.57
133⅝	114	Treas 14½pc 1994‡‡	126⅛xd	+⅛	11.44	9.47
127⅛	108½	Exch 13½pc 1994	120½	+⅛	11.20	9.65
122⅛	103	Exch. 12½pc 1994	115⅛xd	+⅛	10.80	9.63
104	86⅞	Treas 9pc 1994‡‡	98⅛	+⅛	9.17	9.32
120⅝	101½	Treas 12pc 1995	113⅝	+½	10.56	9.59
79	68⅛	Gas 3pc '90-95	78⅛	+⅛	3.81	6.19
110½	92⅛	Exch. 10¼pc 1995	104⅛	+⅛	9.83	9.52
126⅛	106⅛	Treas 12¾pc 1995‡‡	118⅞	+⅛	10.72	9.60
133⅛	113	Treas. 14pc '96	125⅞	+⅛	11.12	9.73
103⅞	86	Treas 9pc 1992-96‡‡	97⅞xd	+⅛	9.20	9.35
142⅛	120	Treas 15¼pc 1996‡‡	134	+⅛	11.38	9.74
130⅛	110	Exch 13¼pc 1996‡‡	122⅝	+⅛	10.81	9.61
84½	74⅛	Redemption 3pc 1986-96	83⅛	+⅛	3.58	5.07
106⅞	101½	Conversion 10pc 1996	102⅛	+⅛	9.75	9.56
131⅛	110	Treas 13¼pc 1997‡‡	123⅛	+⅛	10.76	9.66
112⅛	94⅛	Exch 10½pc 1997	106xd	+⅛	9.91	9.58
101⅝	84	Treas 8¾pc 1997‡‡	95⅛xd	+⅛	9.14	9.38
143	120⅛	Exch. 15pc 1997	134½	+½	11.15	9.83
107⅞	89	Exch. 9¾pc 1998	101⅛	+⅛	9.62	9.54
88⅛	72⅛	Treas 6¾pc 1995-98‡‡	83⅞	+⅛	8.10	9.08
148⅞	125	Treas. 15½pc '98‡‡	140	+½	11.07	9.78
124⅛	103	Exch. 12pc 1998	116⅛	+⅛	10.28	9.62
107⅛	89	Treas 9½pc 1999‡‡	100⅞	+⅛	9.42	9.37
126½	105	Exch. 12¼pc 1999	118⅛	+½	10.32	9.64
114	94	Treas. 10½pc 1999	107⅛	+⅛	9.80	9.52
112	93	Conversion 10¼pc 1999	105⅛	+⅛	9.74	9.53
103⅛	95⅝	Conversion 9pc 2000‡‡	97½xd	+½	9.23	9.33
133½	111	Treas. 13pc 2000	125⅛	+½	10.39	9.67
111⅛	92	Treas 10pc 2001	104½xd	+½	9.57	9.42
137⅛	115	Treas. 14pc '98-01	129⅛	+⅝	10.82	9.74
109⅛	90⅝	Conversion 9¾pc 2001	102⅛	+½	9.49	9.40
		Over Fifteen Years				
124⅝	104	Exch. 12pc '99-02	117	+⅝	10.26	9.61
111⅛	92	Conversion 10pc 2002	104⅞	+½	9.54	9.39
109⅞	90	Treas 9¾pc 2002	103xd	+½	9.47	9.38
139	116	Treas. 13¾pc 2000-03	130⅝	+⅝	10.53	9.69
112⅞	93⅝	Treas 10pc 2003	105⅛xd	+⅛	9.51	9.40
123⅛	102	Treas. 11½pc 2001-04	115⅛xd	+⅝	9.99	9.50
112½	92	Treas. 10pc 2004	105⅛	+½	9.50	9.38
60⅝	49⅛	Funding 3½pc '99-04	56½	+⅛	6.19	8.16
108	88	Conversion 9½pc 2004	101⅛	+½	9.38	9.35
108⅛	89	Conversion 9½pc 2005	101½	+½	9.36	9.32

Undated

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High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
42	23½	Anglo Utd Dev	24	....	1.07	ϕ	6.2
80	36½	♥Colby Res Corp	38½	+2	—	—	—
300	115	Cons. Murch. 10c	130	+2	Q100c	ϕ	15.5
34	26	♥Ennex Int. Ir10p	28	.....	—	—	—
102	70	Greenwich Res	99	.....	—	—	—
157	93	Hampton Areas 10p	146	.....	ϕ1.0	—	1.0
327	165	♥Highwood Res	300	–18	—	—	—
£19¼	£13½	HomesLake Mining $1	£15½	–½	Q20c	—	0.9
310	175	♥McFinley Red Lake	187	+7	—	—	—
285	144	♥Musto Explorations	146	+2	—	—	—
51	28	♥New Sabina Res C$1	29	.....	—	—	—
285	200	Northgate C$1	242	–40	—	—	—
790	513	RTZ	587	–6	22.0	2.8	5.3
£164	£115	Do. 9½pcLn '95-2000	£130	.....	Q9½%	15.5	7.4

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♠ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▮ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	59	....	Fin. 13% 97/02	£112	....
Craig & Rose £1	£13	....	Arnotts	305	–5
Finlay Pkg. 5p	42	....	CPI Hldgs	45	....
Holt (Jos) 25p	805	....	Carrol Inds.	140	–1
John Stm. £1	73	....	Dublin Gas	30	.....
			Hall (R. & H.)	73	+2
IRISH			Heton Hldgs.	33	+2
Fund 11¼% 1988	£101½	....	Irish Ropes	95	....
Nat. 9¾% 84/89	£98¾	....	Unidare	230	....

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Aug 11	Aug 28	Aug 29	Sept 8
Sept 1	Sept 11	Sept 12	Sept 22
Sept 15	Sept 25	Sept 26	Oct 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Unsettled day in equities but Gilts finish on strong note

A mid-session rally in London equity markets failed to hold yesterday and most leading equities settled lower on balance. Gilts, in contrast, enjoyed a firm and active trading session.

The early scene in equities was clouded by the announcement of a possible offer for Phillip Hill Investment Trust from British Printing and Communication. The prospect of substantial lines of blue chip industrials flooding the market if the deal goes through and PHIT's portfolio is liquidated was soon reflected in a mark down of a number of the leaders. Dealings in PHIT and BPCC were temporarily suspended at 323p and 298p respectively.

Beecham, one of PHIT's largest holdings, were particularly sensitive and fell away to 392p before recovering to 401p and eventually settling 6 lower on the day at 395p.

Other leading issues also met with support at the lower levels, underlying confidence being boosted by the good July retail figures and the rise in Revenue receipts which encouraged hopes that the Government may be able to achieve its planned tax cuts in the next budget.

Stores lent weight to the revival, while Oils were again well supported in response to overnight US demand. However, American offerings of international stocks such as Glaxo and easier opening transatlantic indications marred the late tone.

Reflecting the trend, the FT-SE 100 share index, down 5.2 at 10 am, recovered to show a rise of 0.8 at 2 pm before settling 4.6 down on the day at 1,604.4. The Financial Times Ordinary share index ended 5.8 lower at 1,267.8.

Government securities came to life with a flourish as buyers showed a revival of interest which enabled the Government broker to supply stock in the long tap Treasury 8¼ per cent 2007 which was eventually exhausted at 93¾ after having been reactivated earlier in the day at 93½. Other stocks in this area pushed ahead to close with rises extending to ⅝. The revival was helped by further flagging indications in the US economy which encouraged hopes of lower interest rates in the near future. Outside the conventional stocks, the remaining supplies of Treasury 2½ per cent index-linked 2013 were sold at 90.

Standard disappoints

Already a dull market at 732p following the disappointing interim results, Standard Chartered gave further ground after an analysts' meeting held later to discuss the figures and the close was eventually 15 lower at 722p. The major clearers drifted lower for want of support with Lloyds closing with an above-average fall of 7 at 430p. Elsewhere, English Trust jumped 14 more to 145p on further speculative buying fuelled by takeover hopes.

Composites recovered from a dull start. General Accident ended 4 dearer at 822p, after 814p, and Royals were unaltered at 822p, after 814p.

Leading Breweries drifted lower in subdued trading. Bass dipped 18 to 740p, while Whitbread A fell 8 to 265p. Scottish and Newcastle eased a few pence to 186p on further consideration of its agreed purchase of Home Brewery of Nottinghamshire. Matthew Brown, however, rebounded 30 to 495p as speculators gambled on Scottish renewing its assault in the New Year. Takeover chatter also enveloped Vaux, 20 up at 400p, but renewed profit-taking left J. A. Devenish 7 cheaper at 208p.

Cement and construction issues were bought ahead of important trading statements, due in the next couple of weeks. Depressed recently amid fears of increased competition from cheap imports of Greek cement, Blue Circle put on 10 to 548p, after 550p; the company's interim results are expected a week today. Rugby Portland rose 4 to 150p. Construction stocks included numerous good features, most notably Tarmac, finally 12 up at 466p, and Costain Group, which were 10 higher at 550p. Taylor Woodrow gained 5 to 337p and Wimpey edged up to a year's best of 219p. Elsewhere, fading bid hopes left Tay Homes 6 off at 140p, while profit-taking lowered Vibroplant 5 to 355p despite favourable comment on the sharply increased preliminary profits.

Among Chemicals, Blagden Industries gave up 4 more to 123p still reflecting the 16 per cent decline in interim profits announced on Monday. ICI moved narrowly either side of the overnight level of £10.

Jewellers buoyant

Revived talk of a reduction in personal taxation coupled with the encouraging tenor of the latest CBI/FT survey of distributive trades ensured a firm showing by leading Retailers. Jewellers were particularly buoyant with Combined English, still responding to the purchase of the Zales chain for £26.7m, rising 13 to 228p. Ratners touched 201p before settling a net 8 to the good at 198p, while Goldsmiths put on 6 for a two-day advance of 24 to 218p. Gussies A hardened a fraction to £10¾, and W. H. Smith A, scheduled to reveal annual figures today, rose 4 to 296p. Fresh speculative demand lifted Allebone 5 to 51p and Bentalls a similar amount to 143p, but sellers held sway in Executex Clothes, 7 cheaper at 128p. Further consideration of the interim statement prompted scattered support for Mrs Fields, 7 up at 132p.

Talk that a leading stockbroker had upgraded its profits forecast for Thorn EMI induced strong demand for the shares which advanced to 495p at one stage before closing 7 higher on balance at 489p. Other Electrical leaders, however, drifted lower for want of support. Profit-taking in the wake of the annual general meeting left Racal 6 off at 180p, while GEC lost 4 at 186p as did British Telecom at 198p. Elsewhere, Electrocomponents gained 8 to 395p and Penny and Giles rose 11 to 181p in reply to a broker's circular. Holmes Protection (formerly SCUSA), put on 4 to 124p on revived US bid speculation and Molynx closed the same amount dearer at 88p in response to the sharply higher first-half profits. International Signal and Control advanced 10 to 260p following Press comment and speculative buying lifted Sound Diffusion a couple of pence to 39p. Unitech rose 6 at 196p and System Designers hardened a couple of pence to 94p, the latter following the interim results.

Features were few and far between in a quiet Engineering sector. Crown House, still reflecting the mechanical and electrical services contract worth over £27m, firmed 7 afresh to 200p, while Thomas Robinson closed the same amount dearer at 350p following speculative support. Beaufort hardened a few pence and Tyzack Turner gained 5, both to the common level of 63p. Babcock International came on offer at 182p, down 4; the interim results are scheduled for early next month.

A clutch of brokers' bullish circulars again stimulated Food Retailers which made modest progress in increasingly narrow markets. J. Sainsbury hardened 6 to 404p, while Tesco, 402p, and Argyll, 327p, both put on a couple of pence. Revived speculative support lifted Glass Glover 5 to 208p, while talk of a broker's circular in the offing aided Albert Fisher, finally 6 to the good at 180p.

Mount Charlotte Investments dipped to 92p before settling 5 cheaper on balance at 94p as merger talks with Pleasurama were terminated; the latter fell 7 to 316p. Queens Moat Houses improved 1½ to 75½p in front of tomorrow's mid-term statement.

Glaxo sold

The mixed miscellaneous industrial leaders were featured by late weakness in Glaxo which dropped 30 to 965p following US selling. Rank Organisation firmed 8 to 500p and Reckitt and Colman improved 7 at 777p. Hanson Trust hardened a couple of pence more to 180p on further consideration of the paint deal with ICI. Elsewhere, the popularity of building stocks yesterday was reflected in a rise of 6 to 205p in Hepworth Ceramic and a gain of 9 to 193p in Turner and Newall, while Steetley added 5 at 487p. Eastern Produce, meanwhile, attracted speculative demand at 272p, up 7, and Pentos jumped 9 more to 134p following comment on the profits recovery. Extel, awaiting further news of Robert Maxwell's stake-building exercise, dipped 6 to 402p. Pentland Industries, at 480p, lost 10 of the previous day's gain of 35; the interim results are scheduled for August 28.

Leisure issues lacked a decided trend. Horizon hardened the turn to 119p awaiting today's interim results, while the forthcoming flotation of Yorkshire Television directed support to LWT, 8 up at 385p. Samuelson, however, dipped 5 more to a year's low of 160p, again reacting to the cautious tenor of the chairman's recent statement, while Viewplan, a dull market since the disclosure that bid talks had proved to be fruitless, fell 8 more to 50p.

Widespread caution in the wake of the uninspiring interim statement prompted fresh offerings of Jaguar which dipped 27 for a two-day decline of 45 to 498p. Elsewhere in Motors, Volvo eased ⅜ to £39⅞; the company is to apply for a listing on the Tokyo Stock Exchange. Components trended firmer. Aerospace Engineering advanced 4 to 74p in response to the increased full-year profits and proposed one-for-five scrip issue, while buyers also displayed enthusiasm for Supra which rose 7 to 75p ahead of today's half-timer. Distributors showed British Car Auction another 4 to the good at 141p amid fresh speculation of an imminent US bid.

Advertising agencies and related issues continued to make modest progress. Boase Massimi Pollitt put on 7 more to 284p, while Wight Collins Rutherford Scott, a firm market recently following acquisition news, hardened another 5 to 467p. USM-quoted KLP were marked 11 higher to 305p in belated response to Press comment.

Secondary issues provided the focal points in Properties. Wingate Property Investment, still reflecting the bid from Chase Corporation of New Zealand, improved 10 afresh to 450p, while gains of 15 and 20 respectively were seen in London and Edinburgh, 650p, and Mountview Estates, 760p. Berkeley and Hay Hill revived with a speculative improvement of 1½ at 15p.

Textiles continued to present an irregular profile. Courtaulds, 282p, and Dawson International, 284p, gave up 8 and 6 respectively. John Crowther, on the other hand, hardened a couple of pence to 157p as brokers de Zoete and Bevan issued a bullish circular following the appointment of a new executive chairman to Crowther's carpets division.

Among Financials, Barrie Investment and Finance hardened a fraction to 15½p following Press speculation that Bestwood, 17 cheaper at 568p, is set to increase its offer.

BP at 1986 high

Recent bullish UK and US circulars on oil prices and oil shares continued to encourage good demand for the leading oils which made further progress despite an easier trend in spot prices. BP and Shell were again in demand and the latter reached a 1986 high of 880p before ending the session 5 firmer on balance at 875p. BP retained a gain of 15 at a year's best of 625p. Britoil hardened a couple of pence at 132p. Second-line issues provided firm spots in Carless Capel, 3 better at 56p and Century, a like amount up at 126p, while Triton Europe attracted a fresh flurry of support and closed a further 12 to the good at 118p.

Interest in mining markets shifted dramatically from gold and platinum shares to diamond producer De Beers. Interim profits well below market expectations and a smaller-than-expected mid-way dividend triggered a flurry of selling which lowered De Beers to 410p immediately following the figures before a late and minor rally left the shares a net 39 down at 414p. The selling was evenly spread between Johannesburg, New York, the Continent and London.

Gold and platinums remained a weak market, and gave ground for the fourth consecutive trading session. The further decline in precious metal prices initiated widespread, although generally modest, sales and share prices fell for much of the day before steadying towards the close when metal prices tended to pick up a shade. Bullion, down to around $370.5 early in the session, eventually closed a net $2.5 off at $375.25. The Gold Mines index dropped 5.9 more to 219.0, extending the fall over the past four days to one of 14.7.

Randfontein sustained a £1¾ fall of £44⅞ but losses among other leading issues were usually restricted to around ¼ or ⅜, as in Winkelhaak, £10, Buffels, £12⅜ and Western Deep, £18¼.

South African Financials retreated in line with De Beers. Associate Anglo American Corporation settled 15 cheaper at 725p, "Amcoal" slipped 12 to 375p and Gencor fell 13 to 662p. Platinums showed losses of 20 in Impala, 715p and Rustenburg, 685p.

Among UK-registered Financials, Consolidated Gold Fields, scheduled to announce preliminary results on September 16, lost 10 at 462p, while Rio Tinto-Zinc, unsettled by the recent weakness in copper pries, gave up 6 at 587p.

Dealers reported a good two-way business in Australians following the Federal Budget news, but the sector lacked a decided trend. The leaders managed minor improvements and CRA edged up 6 to 256p while Western Mining were a shade firmer at 150p. Golds, however, gave ground following the decline in bullion prices.

Traded Options

Proceedings in Traded Options were totally dominated by Hanson Trust which attracted 4,662 calls, the December 180's and 200's attracting 1,785 and 1,482 trades respectively. Hanson also recorded 1,712 puts. Elsewhere, Jaguar remained lively in the wake of Monday's disappointing interim statement with 568 calls and 835 puts transacted. British Petroleum contributed 804 calls and 536 puts, while the FT-SE 100 index contract attracted 1,033 trades. Total contracts struck amounted to 20,795.

NCR profits fall to £16m at midway

NCR, the UK subsidiary of NCR Corporation, reported pre-tax profits down by £2m to £15.88m in the six months to May 31 1986 on turnover up from £85.84m to £88.89m.

Mr Rex M. Fleet, chairman and managing director, said that orders for the first six months were ahead of the previous year which, combined with further improvement in the next few months, would lead to higher revenue in the rest of the year.

Profits in the second half would benefit from the higher turnover and the investment made in the first half, he added.

FINANCIAL TIMES STOCK INDICES

	Aug 19	Aug 18	Aug 15	Aug 14	Aug 13	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.62	89.29	89.29	89.00	88.86	83.33	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.54	95.46	95.48	95.34	95.69	88.64	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,267.8	1,273.6	1,271.0	1,263.2	1,261.0	982.2	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	219.0	224.9	229.6	230.3	233.7	322.3	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.37	4.35	4.36	4.36	4.37	4.80				
Earnings Yld.%(full)	10.55	10.51	10.52	10.57	10.60	11.81				
P/E Ratio (net) (*)	11.56	11.61	11.60	11.54	11.50	10.44				
Total Bargains (Est)	20,851	21,151	20,598	20,525	20,750	21,038				
Equity Turnover £m.	—	475.88	747.81	653.93	642.62	399.32				
Equity Bargains	—	19,757	19,585	19,550	20,011	22,517				
Shares Traded (ml).	—	221.9	294.5	285.5	298.6	180.7				

S.E. ACTIVITY

Indices	Aug.18	Aug.15
Gilt Edged Bargains	108.8	114.9
Equity Bargains	128.0	126.9
Equity Value	961.9	1511.5
5-Day Average		
Gilt Edged Bargains	109.9	108.5
Equity Bargains	127.8	125.5
Equity Value	1264.0	1242.6

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1273.6	1269.2	1270.8	1272.8	1272.7	1272.7	1272.2	1269.1

Day's High 1273.6. Day's Low 1267.8.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.17.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
[illegible]								

TOTAL VOLUME IN CONTRACTS: 30,902

TRADITIONAL OPTIONS

Stocks favoured for the call included Holmes Protection, London and Northern, Abaco Investments, Sheraton Securities, CASE, Satellite Speakman, Widney, American Electronic Components, Stormgard, Hawley, Bristol Oil and Minerals, Pentland, Barker and Dobson, Prestwich, PSM, Ryan International, H. Young, Stroud Riley Drummond and Ecobric. No puts were reported, but a double was taken out in Amstrad.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	99	2	13
Corpns., Dom. & Foreign Bonds	8	0	62
Industrials	353	264	906
Financial & Props.	161	71	344
Oils	29	6	79
Plantations	3	0	11
Mines	25	71	66
Others	61	73	87
Totals	732	487	1,668

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Mon. close	Day's change	Stock	No. of changes	Mon. close	Day's change
Wingate Prop.	18	440	+15	Scot. & N'castle	14	190	−3
BPCC	18	298	+6	Bowater Inds.	12	323	−7
Jaguar	16	525	−18	BP	12	610	+10
Pentland Inds.	16	490	+35	Shell Trans.	12	870	+15
BAT Inds.	14	406	+11	LASMO	11	130	+5
Britoil	14	130	+7	RTZ	11	593	+6

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Beecham	395	−6	Jaguar	498	−27
Boots	221	−5	Mount Charlotte	94	−5
De Beers Defd.	414	−39	Next	252	+3
Dixons Group	364	+4	Ratners	198	+8
Glaxo	965	−30	Vaal Reefs	£39⅛	−1⅝
ICI	£10	—	Waterford Glass	115	−5

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday August 19 1986

Figures in parentheses show number of stocks per section

		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon August 18 Index No.	Fri August 15 Index No.	Thurs August 14 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (213)	[illegible]									
99	ALL-SHARE INDEX (734)	[illegible]									

	Index No.	Day's Change	Day's High	Day's Low	Aug 18	Aug 15	Aug 14	Aug 13	Year ago
FT-SE 100 SHARE INDEX ♦	1604.4	−4.6	1610.2	1603.2	1609.0	1601.9	1588.2	1581.0	1307.1

FIXED INTEREST

PRICE INDICES		Tues August 19	Day's change %	Mon August 18	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	122.84	+0.16	122.64	—	7.14
2	5-15 years	141.47	+0.49	140.78	—	8.59
3	Over 15 years	149.54	+0.52	148.76	—	8.44
4	Irredeemables	165.42	+0.61	164.42	—	7.27
5	All stocks	137.75	+0.35	137.27	—	8.15
	Index-Linked					
6	5 years	114.00	—	113.99	—	1.18
7	Over 5 years	116.19	+0.02	116.08	—	2.34
8	All stocks	115.70	+0.02	115.67	—	2.13
9	Debentures & Loans	119.84	+0.20	119.61	—	6.73
10	Preference	84.34	+0.27	84.11	—	3.79

AVERAGE GROSS REDEMPTION YIELDS	Tues August 19	Mon August 18	Year ago (approx.)
[illegible]			

‡Opening index 1609.9; 10 am 1603.8; 11 am 1606.3; Noon 1609.4; 1 pm 1609.7; 2 pm 1609.8; 3 pm 1609.4; 3.30 pm 1605.8; 4 pm 1605.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (69)

BRITISH FUNDS (1) Treas. 2½pc I.L. 2016 A. AMERICANS (4) American Cyanamid, Ameritech, Pacific Telesis, Southwestern Bell. BANKS (3) Deutsche Bank, English Trust, Wells Fargo. BREWERS (2) Burtonwood, Fuller, Smith & Turner A. BUILDINGS (2) Johnstone's Paints, Wimpey (G.). CHEMICALS (1) Plysu. STORES (2) Fields (Mrs.), Ratners. ELECTRICALS (6) Checkpoint Europe, Compsoft, NEC Corp., Penny & Giles Intl., Sherwood Computer, Toshiba Corp. ENGINEERING (1) Robinson (Thos.). FOODS (2) Fil, Fitch. INDUSTRIALS (5) British Vita, Essette B, Mainmet, Peerless, Worcester. INSURANCE (1) London United. MOTORS (3) BTS, Supra, Lookers. NEWSPAPERS (1) EMAP A. PAPER (2) Bunzl, Thorpac. PROPERTY (1) Dwyer. TEXTILES (1) Leeds Group. TRUSTS (24). OILS (5) Brit. Petroleum, Chevron, Exxon, Royal Dutch, Shell Transport. OVERSEAS TRADERS (1) Inchcape. MINES (1) Metals Exploration.

NEW LOWS (15)

ELECTRICALS (4) Brikat, CPU Computers, Detron Int., United Leasing. FOODS (1) M6 Cash & Carry. INDUSTRIALS (2) Brit. Bloodstock, Browne & Tawse. LEISURE (1) Samuelson. PAPER (1) Mosa Advertising. SHIPPING (1) Sea Containers. TRUSTS (3) Baillie Gifford Tech., Fleming Tech. Inv., Abingworth. MINES (2) Egoli Cons., ERGO.

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd.	10½
Allied Arab Bank Ltd	10	Financial & Gen. Sec.	10
Allied Dunbar & Co	10	First Nat. Fin. Corp.	11
Allied Irish Bank	10	First Nat. Sec. Ltd	11
American Express Bk	10	● Robert Fleming & Co.	10
Amro Bank	10	Robert Fraser & Ptrs	11
Henry Ansbacher	10	Grindlays Bank	‡10
Associates Cap Corp	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co.	†10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	10	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
● Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10
Cedar Holdings	10	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	10
Citibank Savings	¶10¾	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	10.5
Continental Trust Ltd	10	United Bank of Kuwait	10
● Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E. T. Trust	10	Yorkshire Bank	10
Equatorial Tst Corp. plc	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%, 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

LONDON TRADED OPTIONS

Option		CALLS Oct.	CALLS Jan.	CALLS Apr.	PUTS Oct.	PUTS Jan.	PUTS Apr.
Allied Lyons (*390)	300	45	55	65	7		
	330	27	35	45	16		
	360	10	20	28	35		
B.P.	500	130	142	—	1		
[illegible]							

August 19. Total contracts 20,795. Calls 13,649. Puts 7,146.
* Underlying security price.

WORLD STOCK MARKETS

CANADA

MONTREAL

Closing prices August 18

31072	Bank Mont	$32⅝	32⅛	32⅛	−⅛
1630	BombrdrA	$22⅛	22	22⅛	+⅛
22405	BombrdrB	$22⅛	21½	21⅞	−⅛
600	CB Pak	$26½	26½	26½	
34910	Cascades	$18	17⅞	17⅞	
100	CIL	$26⅝	26⅛	26⅛	−⅜
770	ConBath	$23	22⅞	22⅞	−¼
1275	DomTxtA	$19¼	19¼	19¼	
7255	MntTrst	$12⅞	12⅞	12⅞	−⅛
21928	NatBk Cda	$26⅛	25⅞	26⅛	+⅛
21250	Noverco	$13	12⅞	12⅞	
15175	Power Corp	$16⅞	16⅛	16⅜	−⅜
6070	Provigo	$18⅜	18	18	−⅜
1101	RollandA	$14⅛	14	14⅛	+⅛
87951	Royal Bank	$33⅝	33⅛	33⅛	
297	RoyTrstco	$33	33	33	−⅛
12700	SteinbrgA	$43⅛	42	42½	+½

Total Sales 3,134 600 shares

F—No voting rights or restricted voting rights.

Indices

	Aug. 19	Aug. 18	Aug. 15	Aug. 14	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1185.5	1185.9	1176.5	1163.8	1247.0 (7/5)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	546.0	650.3	641.6	656.5	602.0 (24/3)	481.1 (20/5)
AUSTRIA						
Creditbk Aktien (30/12/8)	234.54	234.85	(c)	233.69	266.64 (23/4)	228.56 (5/3)
BELGIAN						
Brussel SE (1/1/84)	3813.79	3805.69	(c)	3809.49	3813.79 (19/8)	2766.91 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	198.62	208.24	199.93	203.44	250.79 (18/4)	193.69 (8/1)
FRANCE						
CAC General (31/12/82)	391.4	388.0	(c)	385.3	411.3 (15/5)	267.8 (2/1)
Ind Tendance (31/12/82)	150.7	149.2	(c)	148.2	154.5 (12/5)	101.6 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	688.66	676.97	667.07	674.30	753.88 (17/4)	583.92 (22/7)
Commerzbank (1/12/53)	2079.7	2050.2	2009.8	2034.6	2278.8 (17/4)	1762.4 (22/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1935.69	1950.12	1935.76	1925.16	1950.12 (16/8)	1559.84 (19/5)
ITALY						
Banca Comm Ital. (1972)	799.01	776.56	(c)	765.09	908.20 (20/5)	454.87 (24/1)
JAPAN**						
Nikkei (16/5/49)	18792.6	18597.4	18376.41	18264.7	18792.6 (19/8)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1566.49	1548.25	1529.29	1515.09	1566.49 (19/8)	1025.85 (21/1)
NETHERLANDS						
ANP.CBS General (1970)	298.1	296.7	293.7	297.7	298.1 (19/8)	240.4 (3/3)
ANP.CBS Indust (1970)	303.9	302.5	297.2	299.6	303.9 (19/8)	234.0 (3/3)
NORWAY						
Oslo SE (4/1/83)	358.92	356.05	351.06	348.19	402.91 (16/1)	331.81 (4/8)
SINGAPORE						
Straits Times (30/12/66)	803.35	809.84	805.85	802.62	809.84 (18/8)	663.54 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1518.7	1528.6	1539.5	1605.4 (11/8)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1297.1	1296.6	1302.6	1302.6 (14/8)	1019.5 (2/1)
SPAIN						
Madrid SE (30/12/85)	195.27	198.15	(c)	191.68	198.15 (18/8)	100.83 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2567.44	2598.45	2587.65	2592.54	2620.62 (12/8)	1729.57 (28/1)
SWITZERLAND						
SwissBankCpn (31/12/58)	559.7	543.1	540.8	537.4	625.5 (8/1)	497.2 (4/8)
WORLD						
M.S. Capital Intl. (1/1/70)	—	353.4	350.5	348.7	353.4 (18/8)	249.8 (23/1)

** Saturday August 16: Japan Nikkei (c). TSE (c)

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50: Standard and Poors—10: and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 33

LONDON Chief price changes (In pence unless otherwise indicated)

RISES

Treas 13¾ '04-08	£134	+1⅝
Berk. & Hay Hill	15	+1½
Blue Circle	548	+10
Brit Petroleum	625	+15
Brown (Matthew)	495	+30
Comb Eng Stores	228xr	+13
Costain	550	+10
Elec.comp.	395	+18
English Trust	145	+14
Hepw. Ceramic	205	+6
Holmes Protection	124	+4
Mowlem (J.)	398	+10
Peerless	134	+9
Ratners (Jew.)	198	+8
Supra	75	+7
Tarmac	455	+12
Thorn EMI	489	+7
Triton Europe	118	+12
Vaux	400	+20

FALLS

Beecham	395	−6
Courtaulds	262	−8
De Beers Defd	414	−39
Glaxo	965	−30
Jaguar	498	−27
Mount Charlotte	94	−5
Stand. Chartered	722	−15
Viewplan	50	−8

Foreigners flood in as buyers

Continued from Page 34

Bonds ended with gains of around 10 basis points, but mostly with losses of about 5. The Bundesbank sold DM 14.6m worth of paper after buying DM 1.6m on Monday.

Amsterdam ended mixed to firmer as some gains were pared at midsession. The ANP-CBS index rose to a record 298.1, up 1.4, but was calculated on profit taking.

NMB's 30 per cent half year profit increase came too late to support banks which mostly ended lower, while publishers continued their steady rise. NMB was down Fl 1 at Fl 220 and Amro shed Fl 1.20 to Fl 108.90.

The steel group Hoogovens continued weak, losing 80 cents to Fl 77.20 on concern over its earnings for the rest of the year.

The central bank cut interest rates on some borrowing facilities for Dutch banks and this may open the way in the next few weeks for a new round of rate cuts by commercial banks.

Bonds traded higher on renewed buying interest.

Zurich was strong on foreign demand as local investors remained on the sidelines. Industrials and financials were particularly popular.

Insurers, suffering from profit-taking, were weaker with Winterthur bearer down SFr 60 to SFr 6,740.

Bonds ended little changed as investor activity slowed.

Brussels was buoyant although volume was down, affected by summer holidays.

Chemicals were particularly strong with UCB up BFr 200 or 4 per cent at BFr 8,500.

Market leader Petrofina was active and reached the BFr 9,000 barrier during trading before settling back to end up BFr 60 at BFr 8,980.

Stockholm succumbed to profit-taking and turned lower.

Ericsson managed a SKr 2 rise to SKr 225, however.

Elsewhere, Volvo, which will request a listing on the Tokyo stock exchange and is due to report next week, fell SKr 5 to SKr 412 and Electrolux, which will publish its second-quarter results on the same day, dropped SKr 2 to SKr 304.

Figures from the Central bank show that in July foreign investors became net sellers of Swedish stock compared with being net purchasers in June. Foreigners sold SKr 808m worth of shares in July compared with SKr 1.26bn worth of purchases the previous month.

Prices at 3pm, August 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13½	AAR s	.44	2.0	17	56	22	21½	21½	−⅛
30	21¾	ADT	.92	3.7		179	25	24⅞	24⅝	−¼
33	11½	AFG s	.08	.3	17	50	31¼	30¾	31	−⅛
25⅜	13¾	AGS			14	207	19⅞	19½	19½	−¼
15	9⅞	AMCA				263	30	10½	10¼	10½
60⅝	37½	AMR			13	1870	54⅛	53	53⅛	−1⅛
24	19¼	ANR pf2.12		9.1		1	23¼	23¼	23¼	
16¾	10	ARX	.71t	6.7	10	195	10⅝	10¼	10⅝	+½
44⅛	29¾	ASA	2a	6.4		972	32	31¼	31⅜	−⅜
18⅜	9¾	AVX		2.9		53	11	10⅝	11	−⅛
32	22⅝	AZP	2.72	8.8	9	716	30¾	30⅜	30¾	+¼
55	28⅝	AbtLb s	.84	1.7	23	2572	51¼	50⅞	50¾	
32	19⅝	AccoWd.56		2.1	17	675	26⅝	26¼	26½	−¼
14⅞	9	AcmeC .40		4.2		264	9¾	9⅝	9⅝	−¼
8¼	7	AcmeE .32b		4.3	16	8	7½	7⅜	7⅜	−⅛
21⅜	17	AdaEx 1.90e		8.8		134	u21½	21	21½	+⅜
33⅝	18	AdmMl .40		1.3	13	48	30¾	30⅛	30⅛	−¾
20⅝	11⅝	AdvSys.83t		5.4	14	26	15¼	15⅛	15¼	−⅛
32⅞	14⅛	AMD				1429	16⅛	15⅞	15⅞	−⅛
12⅝	5⅝	Adobe n				141	7⅛	6⅞	7	
16⅝	13¾	Adob pf1.84		12.		20	15¼	15	15	−½
20½	15¼	Adob pf2.40		13.		13	18¼	18	18	−⅛
18⅝	7⅜	Advest .12a		.8	11	247	14¾	14⅛	14½	
66¼	42¼	AetnLf 2.64		4.2	10	2385	62⅛	61⅝	62⅛	+½
57½	51½	AetL pf4.28e		8.1		29	53	52⅞	53	+⅛
28¾	9¾	Ahmns .46		1.7	8	3454	27	26½	26½	−⅜
5¾	2½	Aileen			90	43	4½	4½	4½	

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	16	SaulRE	20	1.1	47	1	[illegible]	[illegible]	[illegible]	
39¾	19¼	SavEtP	1.76	4.5	12	136	u39½	38¾	38⅞	+ ⅛
19¼	9⅝	SavEP wi				12	u19¾	19⅝	19⅝	+ ⅛
41	20⅝	SavE	.734	3.2		1	u41¾	41⅜	41⅝	+ ⅞
14¼	11	SavE pf1.28		9.3		13	13⅞	13⅝	13⅝	
8⅛	2¾	Savin				185	2⅞	2¾	2¾	− ⅛
12⅛	4	Savin pf				2	4⅝	4⅝	4⅝	− ⅛
42	23⅝	SCANA	2.24	5.4	15	1021	41¾	41⅛	41⅜	+ ½
88	45	SchrPlo	.80	2.2	23	476	83⅞	82⅛	82⅞	− ¾
37⅞	27¼	Schimb	1.20	3.8	208	3422	32	31¼	31¼	− ½
14⅞	8½	SciAtl	.12	1.4	15	228	8⅝	8½	8⅝	− ⅛
63¼	39⅝	ScottP	1.24	2.2	11	1414	58⅛	57½	57⅝	− ⅞
18⅛	12⅞	Scottys	.52	3.4	17	124	15⅜	15	15⅜	+ ⅛
25⅛	21½	SeaCnt	.42	1.9		45	21⅝	21½	21⅝	
13⅞	11⅞	SeaCt pf1.46		11.		20	13⅞	13⅝	13⅞	+ ⅛

U U U

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
64¾	45	UAL	1	1.9		2110	53⅞	53	53	− 1
22⅞	13¼	UCCEL			19	22	20¼	20¼	20¼	− ¼
26¾	14⅞	UDC n			6	183	23½	23⅛	23⅛	+ ⅛
28⅛	20	UGI	2.04	7.8		71	26¼	25¾	26	− ⅛
13¾	9	UNCInc			12	269	10⅜	10⅛	10¼	
18⅞	10⅞	URS	.35r	2.2		119	16⅛	15¾	16	
46¾	30¼	USFG	2.32	5.7	33	2091	41¼	41	41	− ⅛
56	52¾	USFG pf4.10		7.4		229	55¾	55¼	55½	− ⅛

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
51	25½	Wrigly s	.96	1.9	22	135	51	49½	49⅞	− 1⅛
17½	10½	WyleLb	.32	2.7	37	4	11⅞	11¾	11⅞	− ⅛
25¾	15	Wynns	.60	2.8		25	21¼	21¾	21¾	− ½
72¼	45¾	Xerox	3	5.4	17	1776	56⅛	55¼	55¾	+ ⅛
58¼	53½	Xerox pf5.45		9.5		70	57¼	57⅛	57¼	+ ⅛
28¾	20⅝	XTRA	.64	2.5		400	26¼	25	25⅝	− ¾
17⅝	13½	Yorkin n				337	15¾	15½	15½	− ⅜
39	26½	ZaleCp	1.40	3.8		96	37¼	36⅜	37	+ ⅞
9½	3½	Zapata	.03j			656	3½	d	3⅜	3½
43⅞	23⅞	Zayre s	.32	1.0	21	2997	31⅞	30⅜	31¼	+ ½
17	11	Zemex	.40	3.6	11	x6	11⅛	11	11⅛	+ ⅛
29⅞	16¼	ZenithE				2642	25⅞	24¾	25¼	+ ½
18¼	8⅝	ZenLb s			28	605	11⅛	10¾	10⅞	− ⅛
22⅜	14⅜	Zero s	.29	1.8	16	133	15⅞	15¾	15⅞	+ ⅛
45¾	32¾	Zurnin	1.32	3.5	14	26	38⅛	37⅞	37⅞	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, August 19

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 31

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

GNP growth sets alarm bells ringing

THE SUBSTANTIAL downward revision of the Commerce Department's estimates of GNP growth set the alarm bells ringing in the securities markets yesterday, *writes Terry Byland in New York.*

Federal bonds rose sharply and stock prices opened with widespread falls on this fresh evidence of a faltering US economy.

But, with Wall Street economists quick to re-interpret the GNP estimates, the early losses in stocks were largely eliminated by mid-session. A buying programme in IBM, taking the stock up $2⅞ to $137¾, led the recovery in the blue chips.

By 3pm the Dow Jones industrial average was 8.86 down at 1,860.66.

In the credit markets, revised GNP estimate of only 0.6 per cent growth in the second quarter, against the previous estimate of 1.1 per cent, appeared to heighten the chances that the Federal Reserve will decide to cut its discount rate again – perhaps at the meeting of the Open Market Committee, in session yesterday and today.

The Commerce Department's statistics unsettled the stock market, where analysts were already warning that a substantial correction might be imminent – perhaps a shakeout down to the Dow 1,000 area.

Stock index futures quickly moved to a discount and programmed selling drove the Dow down by more than 4 points in early dealings. But prices rallied in modest trading as selling died down.

Transport issues remained weak, bringing a renewed slide in the Dow transportation average. But the utilities average advanced as hopes of an early cut in discount rate boosted utility stocks.

With the outlook for oil prices still in confusion, there were losses for the major producers. Atlantic Richfield lost $1⅛ to $54⅝ and Chevron $1 to $42¾. At $65⅛, Exxon slipped $¾ in brisk turnover.

Technology issues were helped by a favourable reception for the results from Hewlett Packard, which bounced ahead $1¾ to $42 in heavy trading, when lower second-quarter earnings were balanced by improving sales trends.

Burroughs edged up $⅜ to $70⅝, but Honeywell, still hurt by the disclosure that Sperry had considered – but rejected – bidding $105, eased $½ to $71¼.

Among the heavy manufacturers, Deere, the farm equipment maker, eased $½ to $25¾ after announcing a third-quarter loss. The Detroit car makers, however, joined in the market advance, led once again by Ford, up $1½ at $61.

A weaker dollar proved little benefit for pharmaceutical issues. Merck dipped $½ to $115¾ and Pfizer at $69¼ was $⅜ off. Among the chemical leaders, Monsanto sagged $½ to $70⅞ and Du Pont $½ to $79⅝.

A major development among the takeover stocks came in Sun Chemical, which bounded up $10½ to $84½ after it agreed to sell its graphic arts divisions to Dainippon Ink and Chemicals for $550m. The deal seems to write off Dainippon's interest in acquiring Sun, but leaves unclear Sun's own plan to buy out for $267m the outstanding equity in Chromalloy American, which added $¼ to $23¾.

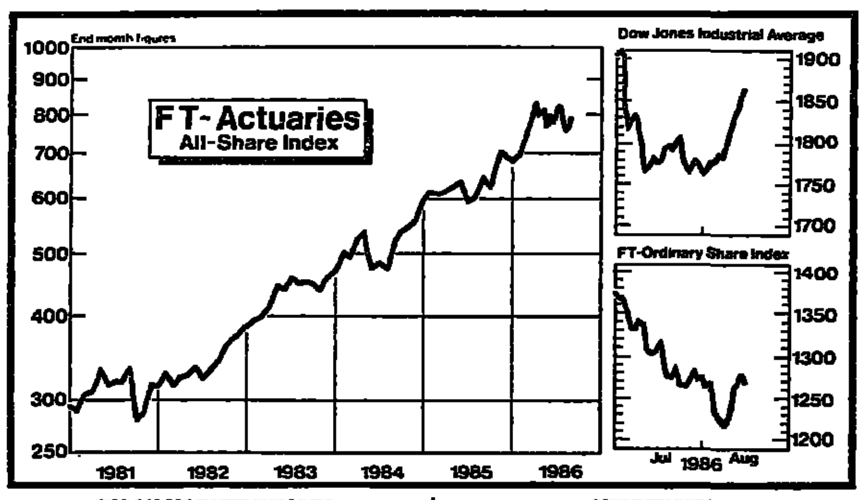
Stock in Fruehauf, the Detroit truck manufacturer, was unchanged at $47⅞ as the board balanced a sweetened bid of $49.50 a share from Asher Edelman against the $48.50 offered from Merrill Lynch.

With corporate results still bearing mixed tidings on consumer spending, retail stocks looked irregular. Sluggish quarterly profits left May Department Stores unchanged at $37, Federated Department Stores $¾ up at $81½. Allied Stores $⅛ off at $50½ and Dayton Hudson $½ lower at $46¾.

Bank stocks weakened despite the expectations of lower interest rates. J. P. Morgan fell $1¼ to $93 and Bankers Trust at $50¼ eased $¼.

In the credit markets, hopes of lower rates were encouraged by a dip in federal funds to 6¼ per cent without Fed intervention. Treasury bill rates eased, three-month bills shading seven basis points to 5.55 per cent virtually pre-empting a half point out in discount rate.

In the bond market, prices stayed firm throughout the session, with the key 30-year bond returning a yield of under 7.20 per cent, close to the low for the present cycle.



STOCK MARKET INDICES			
NEW YORK	August 19	Previous	Year ago
DJ Industrials	1,860.66*	1,869.52	1,312.50
DJ Transport	743.75*	753.38	671.00
DJ Utilities	213.00*	211.13	157.83
S&P Composite	246.26*	247.38	186.38
LONDON			
FT Ord	1,267.8	1,273.6	982.2
FT-SE 100	1,604.4	1,609.0	1,294.9
FT-A All-share	793.35	793.93	632.16
FT-A 500	872.33	873.09	690.18
FT Gold mines	219.0	224.9	322.3
FT-A Long gilt	9.44	9.50	10.28
TOKYO			
Nikkei	18,792.60	18,597.40	12,640.0
Tokyo SE	1,566.49	1,548.23	1,016.86
AUSTRALIA			
All Ord.	1,185.3	1,185.9	954.2
Metals & Mins.	545.0	550.3	549.5
AUSTRIA			
Credit Aktien	234.54	234.83	190.63
BELGIUM			
Belgian SE	3,813.79	3,805.69	2,318.20
CANADA			
Toronto			
Metals & Minls	2,002.3*	2,021.4	2,068
Composite	3,005.9*	3,017.2	2,785.8
Montreal			
Portfolio	1,499.79*	1,506.15	135.68
DENMARK			
SE	198.62	200.24	215.75
FRANCE			
CAC Gen	391.40	388.00	215.9
Ind. Tendance	150.70	149.20	79.6
WEST GERMANY			
FAZ-Aktien	688.66	676.97	476.52
Commerzbank	2,079.70	2,050.20	1,404.1
HONG KONG			
Hang Seng	1,935.69	1,950.12	1,711.51
ITALY			
Banca Comm.	799.01	776.56	357.84
NETHERLANDS			
ANP-CBS Gen	298.10	296.70	214.5
ANP-CBS Ind	303.90	302.30	189.7
NORWAY			
Oslo SE	358.02	356.05	350.20
SINGAPORE			
Straits Times	803.35	809.84	758.79
SOUTH AFRICA			
JSE Golds	–	1,518.7	983.9
JSE Industrials	–	1,297.1	935.1
SPAIN			
Madrid SE	195.27	196.15	82.72
SWEDEN			
J & P	2,567.44	2,598.45	1,317.07
SWITZERLAND			
Swiss Bank Ind	550.70	543.10	481.5
WORLD	Aug 18	Prev	Yearago
MS Capital Int'l	353.4	350.3	218.2

COMMODITIES		
(London)	Aug 19	Prev
Silver (spot fixing)	340.00p	348.05p
Copper (cash)	£862.25	£865.00
Coffee (Sept)	£2007.50	£2002.50
Oil (Brent blend)	$13.95	$14.60

GOLD (per ounce)		
	August 19	Prev
London	$375.25	$377.75
Zürich	$374.125	$377.75
Paris (fixing)	$369.06	$378.21
Luxembourg	$372.75	$378.50
New York (Dec)	$381.00	$382.80

CURRENCIES	US DOLLAR		STERLING	
(London)	Aug 19	Previous	Aug 19	Previous
$	–	–	1.52	1.4930
DM	2.058	2.0705	3.0925	3.0925
Yen	153.4	154.10	230.50	230.00
FFr	6.71	6.7375	10.0775	10.06
SFr	1.658	1.6755	2.49	2.5025
Guilder	2.32	2.3325	3.485	3.4825
Lira	1,416	1,421	2,127	2,121.5
BFr	42.55	42.85	63.90	64.00
C$	1.394	1.3940	2.0945	2.0820

INTEREST RATES		
Euro-currencies (3-month offered rate)	Aug 19	Prev
£	9⅞	9 15/16
SFr	4⅞	4¾
DM	4½	4½
FFr	7¼	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	6⅜	6⅜
6-month US$	6⅜	6⅜
US Fed Funds	6⅛*	6⅜
US3-month CDs	5.80*	6.125
US3-month T-bills	5.54*	5.75

US BONDS

Treasury		August 19		Prev	
		Price	Yield	Price	Yield
6¾	1988	100 29/32	6.276	100 19/32	6.363
7¼	1993	102	6.878	101 14/32	7.003
7¼	1996	102 11/32	7.014	101 25/32	7.129
7¼	2016	100 23/32	7.19	99⅞	7.288

Source: Harris Trust Savings Bank

Treasury Index	Aug 19*			
Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	157.23	+0.78	6.90	–0.09
1–10	148.98	+0.46	6.65	–0.09
1– 3	139.22	+0.21	6.32	–0.07
3– 5	151.44	+0.59	6.79	–0.11
15–30	186.93	+1.94	7.74	–0.10

Source: Merrill Lynch

Corporate	August 19*		Prev	
	Price	Yield	Price	Yield
AT & T				
3⅞ July 1990	91.375	6.44	91¼	6.517
SCBT South Central				
10⅞ Jan 1993	106.75	9.472	106⅝	9.547
Phibro-Sal				
8 April 1996	98.996	8.15	98.669	8.2
TRW				
8⅜ March 1996	103.25	8.25	102.918	8.30
Arco				
9⅞ March 2016	108.5	9.23	106	9.277
General Motors				
8⅜ April 2016	93.65	8.766	92⅝	8.816
Citicorp				
9⅜ March 2016	100	9.373	99½	9.425

Source: Salomon Brothers

FINANCIAL FUTURES				
CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	102-03	102-14	101-25	101-04
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.51	94.63	94.57	94.57
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	94.18
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.89	93.89	93.82	93.78
20-year Notional Gilt £50,000 32nds of 100%				
Sept	121-28	121-28	120-22	120-18

* Latest available figures

AUSTRALIA

A HESITANT mood enveloped Sydney as the market awaited the budget statement after trading had closed.

The All Ordinaries index dipped just 0.4 to 1,185.4 on volume of 107m shares, compared with the previous 111.6m.

Leading industrials continued higher on the back of a firmer dollar. Strong institutional support was also seen from local and overseas investors for some bank and media stocks.

ANZ firmed 6 cents to A$4.96 amid heavy foreign demand but Westpac eased 2 cents to A$4.76.

Nicholas Kiwi put on a sharp 65 cents to A$3.80 on the announcement that Sarah Lee of the US had launched a takeover offer at that price.

Mining stocks were sharply weaker, dragged down by widespread profit-taking among the higher priced issues.

LONDON

A MID-SESSION rally in London equity markets failed to hold yesterday and most leading equities settled lower on balance. Gilts by contrast, enjoyed a firm and active trading session.

The FT-SE 100 share index settled 4.6 down on the day at 1,604.4 while the Financial Times Ordinary index ended 5.8 lower at 1267.8.

Government securities came to life with a flourish as buyers showed a revival of interest. Longer dated stocks pushed ahead to close with rises extending to ⅞.

Chief price changes, Page 31; Details, Page 30; Share information service, Pages 28–29.

HONG KONG

LOCAL profit-taking overpowered continuing demand by overseas investors leaving Hong Kong lower in active trading.

The Hang Seng index fell 14.43 from Monday's record high to close at 1,935.69.

Among the leaders, Cheung Kong eased 30 cents to HK$24.40, China Light and China Gas 20 cents each to HK$16.50 and HK$16.10 respectively, and Hongkong Wharf 5 cents to HK$8.25.

Hongkong Land dipped 10 cents to HK$6.45, Hutchison Whampoa 75 cents to HK$33.50 and Jardine Matheson 20 cents to HK$15.50.

In the opposite direction, US demand was noted for Hang Lung Development, taking the stock up 10 cents to HK$8.05.

SINGAPORE

LATE selling pressure left Singapore lower for the first time in seven trading sessions, taking the Straits Times industrial index down 6.49 at 803.35.

The market had marked time for much of the session consolidating the gains of the previous week before a round of profit-taking was triggered by local investors. Some scattered institutional buying was still seen but foreign investors were mostly absent.

Among actively traded issues, UOL shed 5 cents to S$3.04 while City Development eased 1 cent to S$1.74.

Banks were mixed after Overseas Union Bank reported a 12.4 per cent decline in first half post tax profit, which was in line with expectations. OUB shed 10 cents to S$3.04.

CANADA

TORONTO stocks continued their retreat in active trading, taking their cue from Wall Street.

Active industrials were mostly lower. Canadian Tire shed C$⅜ to trade at C$13⅝, Sears Canada fell C$½ to C$11¾ and Inco was C$¼ lower at C$15½.

In a generally higher gold sector, Echo Mines rose C$⅝ to C$25¼ and Placer Development added C$1 to C$28¼.

EUROPE

Foreigners flood in as buyers

FOREIGN BUYERS flooded into most European bourses yesterday, spurring advances in recently depressed markets or sustaining bourses already making headway.

Milan began its new bourse month in spectacular fashion and the return of major institutional investors pushed the market index up by about 3 per cent, the fifth consecutive gain.

Insurers were again active after Monday's substantial rises. Quotations for some companies were temporarily suspended for the second time this week because their gains had exceeded the daily allowed trading levels.

Generali rallied L7,600 to L165,800 while Toro remained steady at L28,495 after substantial gains in the previous session and Assicurazioni Milano ended at L41,950, down L12,850 after deducting a L17,460 right of option.

Italmobiliare, the Pesenti group holding company, also rallied on expectations of a capital increase exercise. It advanced L5,400 to L141,600. Its cement subsidiary Italcementi rose L1,000 to L76,900.

Speculation of a fund-raising operation at state bank Mediobanca pushed it L6,500 higher to L302,500.

Paris moved higher for the sixth consecutive session as news of a 2.3 per cent rise in June industrial production helped boost prices.

Some analysts see the market remaining firm until at least Friday when the new monthly trading account begins.

Retailers, food and electrical issues succumbed to demand from foreign buyers. Demart put on FFr 137 to FFr 2,285, champagne-to-rosebush group Moët Hennessy added FFr 63 to FFr 2,305 while Thomson CSF rose FFr 74 to FFr 1,699.

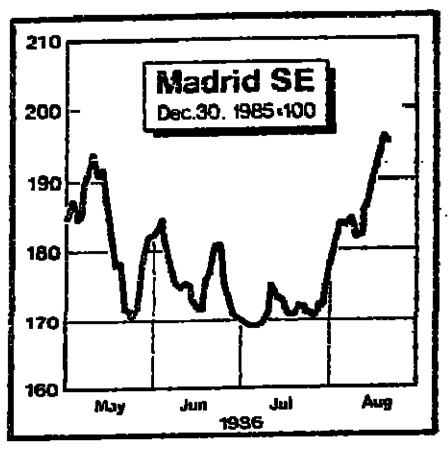
Roussel-Uclaf continued lower, however, dropping FFr 32 to FFr 1,628 after losing FFr 25 on Monday and reporting lower turnover for the first six months.

Oslo was boosted by the performance of insurers and the bourse continued an uninterrupted seven-day climb.

Norway's biggest insurance company, Storebrand-Norden, attracted NKr 12 to NKr 289.50 while high demand for competitor Vesta-Hygea pushed its shares up NKr 10 to NKr 233.

Both companies plan to raise premiums, especially on car insurance and both have shown improved results from re-insurance underwriting overseas.

Kvaerner Industrier gained in popularity on news that metals producer Elkem had bought a 27 per cent stake in the big engineering group from shipping group Bergesen. Kvaerner rose NKr 9 to NKr 188.



Madrid, recently ignored by overseas investors, is setting records daily as foreigners give the market a shot in the arm. Yesterday the Madrid index stood at 195.2, its highest level since May 12 when it reached 194.1.

The foreigners, mostly from Switzerland, West Germany and Britain, have been attracted by banks which showed strong first-half profits. The state-owned Telefonica telephone company has also received strong interest and yesterday it gained 2.3 per cent of its nominal value to end at 196.2 per cent.

Foreign investment in the first half of the year was $1.3bn almost twice the $785m in 1985.

Frankfurt felt the influence of foreigners in a market already higher on domestic demand. The Commerzbank index rose 29.5 to 2,079.7.

Most car and banking issues took on gains of around DM 10 although advances in other sectors were more modest.

Insurer Allianz, which sold its wholly-owned Australian subsidiary to a Sydney-based insurance company, rose DM 30 to DM 2,570, and among chemicals BASF added DM 10.80 to DM 277 and Bayer jumped DM 11 to DM 301, both ahead of half-year results.

Sports goods company, Puma, which has seen a meteoric rise since its flotation in early July, firmed DM 10 to DM 1,060. The share was first offered to the public at DM 310.

Continued on Page 31

SOUTH AFRICA

GOLD shares picked up early losses to close firmer in Johannesburg with prices buoyed by a weakening in the financial rand. The sector also benefited from a slight recovery in the bullion price, taking Vaal Reefs up R8 to R300.

Platinums recovered but diamond share De Beers fell R2.50 to R32 after interim results. Among mining financials, Gold Fields was unchanged at R49 following its annual results.

TOKYO

Record run is extended amid doubts

BUYING enthusiasm mounted in Tokyo yesterday following reports that a Reagan administration official had asked Japan to cut its discount rate ahead of the US and West Germany, *writes Shigeo Nishiwaki of Jiji Press.*

Trading houses, biotechnology issues and some blue-chip stocks surged, taking the Nikkei market average to a fourth successive all-time high, up 195.17 at 18,792.61.

Volume swelled from 1.028bn to 1.3bn shares. But declines outnumbered advances by 494 to 373, with 110 issues unchanged.

Some concern was evident, however, about the current precariously high level of prices, despite widespread expectations of a further rise.

Buying interest shifted from large-capital steels and shipbuilders to trading firms, biotechnology issues and some electricals and precision instrument manufacturers.

Mitsui was actively traded, rising Y83 to an all-time high of Y773, compared with its previous peak of Y734 set in 1972. Mitsubishi advanced Y80 to Y1,200, C. Itoh Y57 to Y942 and Marubeni Y59 to Y565.

Hitachi improved Y35 to Y895, despite expectations that its pre-tax profit will drop below Y100bn in the financial year ending next March for the first time in eight years, down nearly 40 per cent. The electrical group's unexpectedly strong gain drove other electricals higher. NEC gained Y160 to a record Y1,670, eclipsing the April 30 peak of Y1,650.

Toshiba shed Y11 at one stage but closed Y11 up at Y640. Anritsu Electric put on Y240 to Y3,260.

Financial stocks remained popular, with Nomura Securities jumping Y60 to Y3,440 and Tokio Marine and Fire Insurance Y40 to Y1,820.

Nippon Kokan topped the active stock list with 150m shares changing hands and firmed Y4 to Y259. Nippon Steel put on Y3 to Y204, while Mitsubishi Heavy Industries slipped Y6 to Y579 on profit-taking and Tokyo Gas Y14 to Y916.

The Tokyo Stock Exchange decided from today to begin afternoon trading 30 minutes later than usual, as extremely brisk trading was proving too much for some securities companies to handle.

Bonds strengthened in early trading.

The yield on the benchmark 6.2 per cent government bond falling due in July 1995 plunged from 4.575 to 4.540 per cent at one stage but rallied to 4.560 per cent under selling pressure.